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Lilly Briger

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Engaging China in the Twenty-First Century: An Analysis of U.S.-China Relations and
Recommendations for the Future

By

Lilly Briger

Submitted in Partial Fulfillment of the Requirements for
Honors in the Departments of Political Science and History

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ABSTRACT

BRIGER, LILLY Engaging China in the Twenty-First Century: An Analysis of U.S.-China Relations and Recommendations for the Future

In this thesis, I explore the fragile political relationship between China and the United States. In the past decade, an intensifying level of competition between the two powers is advancing the perception amongst a growing number of Americans that China will one day emerge as a future adversary that will draw the U.S into a strategic rivalry and possible security conflict. The purpose of my thesis is to determine the type of “threat” China presents to the United States, and based on this assessment determine which policies would best increase the possibility for collaboration while limiting the potential for future rivalry between the two powers.

I used theories of structural realism to explain the developing power dynamic between China and the United States. I argue against the claims stipulated by proponents of this theory who maintain that a security conflict or strategic rivalry between China and the U.S. is inevitable. Moreover, I also refute the claim that China seeks to grow powerful enough to overturn the existing order. Instead, I take the position that based on China’s international behavior it can be deemed a “rational power” that acts in accordance with its own self-interests. It would be contrary to China’s interests to precipitate a security conflict with the United States over Taiwan because, in the same way the U.S. is economically dependent on China, China is heavily reliant on access to U.S. markets to sustain its current growth levels. From my research, I concluded as China emerges as a global power, the challenges it presents to the U.S. are tempered with greater

opportunities for collaboration, reaching beyond commercial interests extending to diplomatic and security matters.

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CHAPTER 1

Introduction: China versus U.S.A?

At the turn of the nineteenth century, virtually no one could have predicted the accuracy of Napoleon's foresight when he observed, "Let China sleep, for when she wakes, she will shake the world."¹ Yet, in the present state of affairs, it is impossible to ignore the reality of this statement. China's titanic rise has dominated these early years of the twenty-first century. Fueled by the world's fastest growing economy, with an average annual growth rate of 9.5% for the past three decades, China is rapidly emerging as a major economic power in the ever changing structure of the global community. It has become an attractive business environment for U.S. and multinational corporations. As a result, foreigners invested more money in developing businesses in China in 2003 than in any other part of the world.² Accordingly, "China continues to grow at unparalleled rates because the world continues to feed it."³

¹ Kynge, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. Pp. xiv

² Fishman, Ted C. *China Inc.: How the Rise of the Next Superpower Challenges America and the World*. New York: Scribner, 2006. P. 15

³ Ibid

China's newfound economic prowess, which manifested itself in the form of approximately \$1 trillion of foreign exchange reserves at the end of 2006, has also aided its transformation into a major geopolitical power. China's vast wealth, coupled with its insatiable appetite for finite sources of energy and other resources has established a new assertiveness in Chinese foreign policy that in many ways challenges the preeminence of the U.S. in international relations. Moreover, in the last few years, the intensifying level of economic competition between these two giants has exacerbated the ideological and cultural differences that have existed between the two since Nixon's opening of China in 1972.

During a period in which: U.S. unemployment has been on the rise; wages have stagnated; and the strong possibility of recession looms over the U.S. economy, the average American is slowly remembering that China is an authoritarian state, ruled by a Communist Party that rejects the liberal democratic ideals of governance embraced by the U.S. When these factors are combined with the media's incessant portrayal of China "as an ominous threat before which the west must change or wilt" they contribute to an exaggerated and miscalculated fear of the "rising Chinese tiger" and the threat it presents to the United States.⁴ This thesis takes the position that such flawed misperceptions, in both public opinion and policy circles, endanger the development of sound policies that can effectively deal with the challenges to the United States presented by China's rise.

In the coming years, no relationship will be more important than that between China and the United States. In *The Economist's* special edition *The World in 2008*, the editor Daniel Franklin comments in his opening letter that "America and China will be

⁴ Hutton, Will. Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006. P. 6

[the] prime players in the matters that will concentrate minds around the world in 2008”.⁵

One area that will surely draw attention is the economic relationship between these two powerhouses and its impact on the world economy. A second area is the more subtle diplomatic and security relationship between the two, which, after the fall of the Soviet Union, often operates in the shadows of the first. In this thesis, the principal focus is upon the latter area. However, I maintain that the economic issues and diplomatic and security issues that exist between China and the United States are not mutually exclusive and, therefore, cannot be strictly separated into economic and political disputes.

In chapter three, I illustrate this point in greater detail when examining the effects of China’s economic rise on its political relationship with the U.S. I evaluate the increase of China’s geopolitical influence relative to the declining one of the U.S. This threatens to upset the delicate balance between competition and collaboration, which serves as the foundation of this relationship. On the other hand, however, it can be effectively argued that the U.S. is facing many similar challenges from other countries, namely India and a resurgent Russia, given their competing interests regarding both commerce and security matters.

In accordance with the existing literature on the topic, this thesis considers the rise of China, in many ways, to be synonymous with the overall trend of globalization. Therefore, the challenges China now presents to the United States are consistent with those of this powerful, and seemingly unstoppable, force. In the last several decades, the so-called “great powers” of the twentieth century, that

⁵ Franklin, Daniel. "From the Editor, The World in 2008." *The Economist: The World in 2008* Special ed. 2007: 13.

is the U.S, Japan and Europe, have, to a large extent, lost their productive edge, a central quality to any state seeking to preserve a position of preeminence in geopolitics, to the so-called BRICS—Brazil, Russia, India, and China.⁶ The irony in this transitional trend cannot be ignored. It was the very system of global liberalism, set in place by the U.S. in accord with other Western powers that has facilitated the economic booms experienced by these newly emerging market economies. In the aftermath of WWII, the U.S. sought to create a world capitalist system that would favor and protect the dominant position of the U.S. in international relations. Yet, in hindsight it is evident that such a system is, in fact, favorable to those nations entering it later because of their ability to build on the advances of their predecessors. In this sense, it can be said that global liberalism is much like the Greek heroes of antiquity in that both are endowed with a tragic flaw that is ultimately responsible for their own demise.

This concept is supported by the stipulations of Immanuel Wallerstein's theory of *The Three Instances of Hegemony in the History of the Capitalist World-Economy*. He argues that global liberalism perpetuates the downfall of the very powers that set it in place.⁷ This results from the fact that it becomes more difficult to impede the spread of technological expertise as the system grows to include new economies. As a result, it is inevitable that, over time, the nations that enter

⁶ Pesek, William. "Viewpoint: Building bricks – Lessons for India and Brazil". *International Herald Tribune*; Sec: Marketplace by Bloomberg. December 10, 2006.

⁷ Wallerstein, Immanuel. "The Three Instances of Hegemony in the History of the Capitalist World Economy". *International Journal of Comparative Sociology*, 24 (1983) p. 101

the system later achieve greater results because they come in at a time when the markets are most profitable and the technology at their disposal is more advanced. The consequence, Wallerstein then goes on to say, is that these newly integrated economies begin to "eat away" at the material base of the existing powers' productive capacity and thus gain a greater competitive advantage. Ultimately, the BRIC economies have replicated and innovated the existing economic models. Their developing economies allow them to exploit cheap labor to increase their productive capacity, while the price of labor steadily increases in the developed nations and production rates fall. Additionally, the developing economies are exonerated from meeting the standards placed upon more advanced nations because of their "developing status", contributing to their leveraged position. Cheap labor and a high level of productivity give these emerging market countries a significant competitive advantage that threatens the economic superiority of the existing powers.

ARGUMENT

Although the United States faces challenges from all these developing economies, in this thesis I argue that none of these challenges are more daunting than those presented by China. For example, India and Brazil are, to a significant extent, in a strategic alliance with Washington and their economic success has been accompanied by democratic transitions that are favorable to a U.S. led world order. Yet, China's remarkable transformation into a capitalist economy, which in

many ways, outcompetes that of the U.S., was facilitated under an authoritarian state ruled by a single Communist party.⁸ Even more troubling is that the level of economic growth China has experienced which, under other circumstances, should have been the breeding ground for democratic transitions. Instead this has served only to further ingrain and legitimize the system of autocratic Communist rule. Furthermore, as China increasingly moves its industrial sector into areas of high technology, no longer restricting itself to the production of low cost goods, the intensity of its competition with the United States increases. As a result, by the sheer virtue of its size and its advanced technological capabilities, China is now perceived as a “peer competitor” or “near peer competitor” within a growing number of U.S. government circles. Accordingly, this perception advances the image of China as a potential strategic rival to the United States.

In this thesis, I maintain that such premature judgments of China’s capabilities threaten the future stability of U.S.-Chinese relations. Although American politicians are aware of the need to collaborate constructively with China, in a democracy such as our own, it often tends to be the case that emotion rules over objectivity. When this reality is taken against a growing desire amongst American politicians since 9/11 to appear “tough” to its constituents on issues of

⁸ Azar, Gat. “The Return of Authoritarian Great Powers”. *Foreign Affairs* Jul/Aug 2007; Vol. 86, Is. 4 (2007).

national security, it increases the risk of the kind of misperceptions, in our relationship with China that could lead to military confrontation.⁹

The chapters ahead explore the fragile political relationship in the past four decades between China and the United States, beginning with its inception in 1972 and then carrying on to the present day. For almost four decades, in spite of the tremendous ideological and cultural differences that exist between the two, the U.S. and China have been able to avoid painting one another as adversaries. In part, this results from the fact that China has been a substantially weaker than the U.S. and has not been in a position to challenge the unilateralist policies of the U.S., both in this bilateral relationship and in the rest of the world. Thus, for the past three and a half decades, the balance of power in this relationship has been significantly tilted in Washington's favor.

The State Department website boasts that the practice of engagement has characterized U.S.-China policy for the past thirty-five years. The rationale for engaging China derives from the broad conclusions that motivated Nixon to reach out to the PRC in 1972 in hopes of balancing the power of the Soviet Union.¹⁰ From this view, engagement has been justified on the grounds that it is more beneficial to the advancement of U.S. national interests and, to a lesser degree, global stability, than perpetually isolating China. In practice, engagement seeks to sustain and increase relations with China by enhancing dialogue and integrating the country into the institutions and organizations of the international system. To a large extent, engagement

⁹ Shirk, Susan L. *China: Fragile Superpower*. New York: Oxford University Press, 2007. P. 10

¹⁰ Hills, Carla A. et al., "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007) Stable URL:

has been the cornerstone of U.S. policy both economically and diplomatically. Currently, China is a member of an array of international security organizations.¹¹ The purpose of engagement is to increase collaboration, while keeping disputes in areas of diverging opinions and competing interests at a minimum. However, the rise of China challenges the U.S. *modus operandi* of engagement in many ways.

These challenges arise from certain assumptions that have dictated the pattern of engagement since 1972. The idea of engaging China, which effectively reversed the prior two decades of U.S. foreign policy, was partially grounded in Nixon's early logic that it was best to improve relations with China while it was still a substantially weaker power so that its interests could be shaped in ways conducive to those of the United States. At the time, this meant using China to balance the power of the Soviet Union. This concept was the foundation for the U.S. engagement policy with China. This thesis maintains that the U.S. practice of engagement operates on two critical assumptions, namely, that China is a) the weaker power; and b) its interests can be shaped in ways desired by the U.S. Therefore, "engagement" tends to provide the appearance of a mutually beneficial relationship, while it, nevertheless, greatly distorts the balance of power in the favor of the U.S. In the past, when the United States was the dominant world power, this was a sound policy model. In recent years, however, the rise of China as not only a strong economic power, but also a viable *military power* in Asia, undermines both of these assumptions. Accordingly, as China's capabilities are enhanced as a result of its economic success, these outdated perceptions of China's power challenge the U.S.'s conventional approach to this bilateral relationship.

¹¹ A list of these organizations is reflected in Appendix I

In response to China's increased capabilities, U.S. policymakers have reverted to repeating what Harry Harding calls a cycle of euphoria and disillusionment in this complicated relationship.¹² The consequence is an overwhelming tendency in U.S. policy circles grossly to exaggerate and overestimate the capabilities and objectives of those perceived to be "peer" or "near peer" competitors. Harding asserts that the U.S. is often culpable of perceiving China in terms that are far too simplistic and emotional, painting an image of it as either an ally or adversary.¹³

This compulsion to define our relations with China in such rigid terms contributes to an inconsistency in the U.S.'s application of engagement. This thesis grounds the growing fear in this country that soon China will be powerful enough to change the rules of the current international system better to serve its own interests against the theoretical claims of structural realism for the purpose of my analysis. Recently, the argument that engagement does not sufficiently protect the U.S.'s position in this event has been gaining growing popularity in the United States. However, the high level of interdependency between our two economies eliminates the possibility of completely abandoning this approach in pursuit of a more confrontational policy of containment. The highly emotional debate surrounding the "China threat" obstructs the formulation of articulate policies that would seek to navigate a middle ground.

Despite these concerns, in many ways, however, U.S.-Chinese relations are better than they were during the tumultuous period 1990's, following the events in Tiananmen Square and the fall of the Soviet Union. Nevertheless, there are early warning signs,

¹² Harding, Harry. *A Fragile Relationship: The United States and China since 1972*. Washington, D.C: The Brookings Institution, 1992. 361

¹³ Ibid 360-1

which are discussed in chapter three, endorsing the perception that a future strategic rivalry may well develop between China and the U.S. To deter this possibility, the Bush Administration has called on China to become a “responsible stakeholder” in international affairs and promised to cooperate towards achieving this end, noting that inevitably countries would “hedge” against the risk that China will emerge as a future belligerent.¹⁴

The argument in this thesis is that, if China is to become a more “responsible partner” in international affairs, U.S. engagement needs to become more balanced, or at least uphold an appearance of equality and partnership in areas of collaboration. Continuing to address these concerns unilaterally and outside the peripheries of established multilateral institutions will harm the stability of this relationship, while doing little to protect the U.S. against a possibly adversarial China. The current unilateral and, at times confrontational, method of “hedging” the risk that China may emerge as a future adversary is self-defeating. It advances the type of misperceptions that increase the risk of war amongst states. This was most recently reflected in the Bush Administration’s attempt to secure a military agreement with India. Such styles of “hedging”, namely bilateral military alliances falling outside the scope of both the established international institutions *and* international law, only provokes greater hostility on the part of China’s leadership and its highly nationalistic citizens.¹⁵ The Chinese are well aware of the ongoing and, at times, hostile debate within the U.S. about how to accommodate China’s

¹⁴ Bader, Jeffrey A. et al. 2007. “Contending with the Rise of China: Build on Three Decades of Progress”. *Opportunity 08: A Project of the Brookings Institution* (pp.1-15). Washington, D.C: The Brookings Institution. Stable URL: P. 5

¹⁵ This is a reference to the U.S.’s attempt to deepen its bilateral military alliance with India by overriding the established international rules set forth on nuclear proliferation.

rise. All of these anxieties are intensified by China's deep-seated nationalism and historic suspicion of foreigners, especially of Western powers.¹⁶

Ultimately, if the goal is to ensure China's lasting commitment to the current international system, the U.S. must seek to engage China in a manner that strengthens the institutions of the current international order. Engaging China in the twenty-first century requires that U.S. policy makers take into account the recent decline of the U.S.'s global authority and economic superiority and the limitations this reality poses on policies that seek unilaterally to influence China's behavior. Thus, the U.S. must seek to settle our disputes with China and voice our opposition to its policies or behavior within the established multilateral institution of which we are both members when it is possible.

When these issues fall outside the scope of such institutions, it is necessary that we voice our concerns or demands in coalition with our allies, such as the E.U. to strengthen both the legitimacy of our claims and increase the chances that they will be met. This will avoid creating an adversarial dynamic that pins the U.S. directly against China. The United States and China must actively work to avoid this scenario not only for the sake of their own relations, but also to maintain the stability of global system. As a result of the size and interdependencies of the U.S. and Chinese economies with each

¹⁶ Hutton 60: This type of xenophobia in China dates back to what is known as the "Century of Humiliation". The beginning of this period can trace its origins to 1842, when the treaty of Nanjing was signed. It stipulated that the Chinese would cede Hong Kong to Britain. Following this concession, no fewer than twenty-six treaties were drafted, delivering a row of crushing territorial defeats to the Chinese at the hands of foreign powers. The entire Chinese coast was opened up to foreigners on terms that grossly disadvantaged China, while enhancing the prosperity and wealth of European and Japanese powers. Since the onset of the Communist Revolution in 1949, China's communist party has disseminated propaganda promising a reversal of this humiliation and a restoration of China's greatness amongst the international powers. It continues to promote a type of nationalism that is highly suspicious of foreign powers, especially those of the West and Japan by invoking this historical fear (Hutton, Will).

other and the global community, any diplomatic strains that disrupt the flow of trade and commercial exchanges between them could undermine and even create havoc with the global economy as a whole.

It would, however, be entirely too idealistic and naïve to assume that this course of action will always be possible. Inevitably, there will be instances that the U.S. will have to act unilaterally to protect its own interests when there is a clear and present danger to its national security, as any state would in such a precarious situation. On the other hand, using the latter as a general framework to guide our exchanges with China will limit the possibility that such moments will escalate tensions to levels that would destabilize the course of our bilateral relations. Contrary to the Bush Administration's beliefs, an emphasis on multilateralism is not an admission of weakness or defeat. Rather, the two pronged policy of: 1) recognizing the limitations of our power; and 2) formulating policies accordingly will shield this nation from the type of zealous overextensions of authority that have precipitated the decline of great empires and hegemonies throughout history.

CHAPTER OVERVIEW:

Chapter 2

Chapter two is dedicated to a historical analysis of Nixon and Kissinger's opening of China. The goal of this chapter is to illustrate the origins of engagement policy and, by doing so, to isolate its central components. I will outline the primary motivations that led Nixon to approach China, as well as the necessary steps taken by both Nixon and Kissinger to ensure the success of this rapprochement. In 1972, the opening of China was ultimately successful on the part of the U.S. first because of Nixon's tremendous

foresight that no world system could effectively operate with China isolated on its outskirts. Second, Henry Kissinger correctly assumed that security, not ideology, was the most important of China's national interests. By reconfiguring the Chinese threat, Kissinger and Nixon were able to open a dialogue that had been closed for far too long because of a miscalculated perception of China's objectives and capabilities. The culmination of these efforts, resulting in Nixon's trip to China, was reflected in the Shanghai Communiqué. The primary function of this document was to outline areas of common interests, while recognizing the existence of strong divergent opinions, especially over the issue of Taiwan. Chapter two also provides a brief summary of the normalization of U.S.-Chinese relations, with a particular emphasis on the issue of Taiwan. It will set up the dissenting opinions that continue to surround the present debate over Taiwan's future political status. In this chapter, important connections between the past and present are made, thus providing lessons for future diplomatic exchanges between China and the U.S.

Chapter 3

Chapter 3 demonstrates how the recent rise of China complicates the foundation, set forth by Nixon and Kissinger, for U.S. engagement policy. In 2008, China and the U.S. continue to share many of the same differences that they did in 1972, with new discrepancies over such issues as human rights, trade, and currency valuation added to the list. An increased level of competition between the China and the U.S. has also contributed to upsetting the delicate balance in this political relationship. Several factors have been responsible for exaggerating the competitive elements of this power dynamic.

The first two are linked to China's growing necessity for, consumption of, energy and other natural resources. China is now the world's second largest consumer of petroleum, behind the United States. Its consumption of petroleum is continuing to grow at an alarming rate. With supply lines limited, the Chinese government is forced to seek new sources that directly challenge the United States in two ways. First, it has gained market share of sources of supply that are considered strategic U.S. suppliers of petroleum, such as Venezuela. This type of action only contributes to the image of China as an ominous competitor that threatens U.S. integral sources of energy supply and, in turn, upsets the U.S. economy. Second, China's need for oil has motivated it to seek close ties with countries that are generally considered hostile enemies of the U.S. For example, China's relationship with Iran and the Sudanese government complicates the possibility of diplomatic collaboration on issue of nuclear proliferation in Iran and peace keeping coalitions and human rights in Darfur.

Essentially, this chapter outlines the reasons contributing to the realistic perception that China may one day emerge as a future rival of the U.S. that inevitably may result in a security conflict. This Chapter will outline the growing area of tensions between the two powers over issues of competition for natural resources, trade, finance, human rights, nuclear proliferation, non-military intervention, as well as Taiwan and China's military modernization.

Chapter 4

Chapter four provides an overview and critical analysis of existing recommendations for the future of U.S./Chinese relations. It first compares and contrasts the rise of China presented in chapter three against the current realities of China's

domestic and international experience, which, pose certain limitations on its behavior. This chapter explores the reasons for which, I maintain, support the conclusion that a security conflict between China and the United States is unlikely in the foreseeable future. Instead, the chapter sets out the position for the necessity of policies that would limit the possibility of a Cold War type strategic rivalry between the U.S. and China. Set against this backdrop, the chapter concludes with an array of recommendations to improve relations in the areas of outstanding disputes presented in chapter three.

Chapter 5

I conclude with a brief analysis concerning the broader implication for the U.S.'s shifting position in the global community outlined in its bilateral relations with China. Namely, I identify a change in the landscape of global politics that renders the current U.S. approach to foreign policy somewhat outdated and ineffective to deal with the challenges of the twenty-first century.

PROSPECTS FOR THE FUTURE

In the arena of international relations, it is not solely the emergence of a new power that contributes to the mitigating structure of the system, but more importantly it is the reactions of the existing powers to this development that redefines the system. Therefore, the way in which the United States responds to the challenges presented by China's rise will be just as significant, perhaps even more so, than the rise of China itself, in setting the course for this young century. For these reasons, it is critical that the U.S. moves actively to construct a diplomatic approach that engages China on a more equal level within the established institutions of the international system. These newfound responsibilities inevitably are likely to lead to greater accountability on the part of the

Chinese for their behavior in international relations. China's participation in the global financial system will not yield these results on its own.

Moreover, while, in the present state of affairs, China has strong incentives to cooperate and remain a relatively benign power because of the tremendous benefits it gains from the global economy, this may not always be the case. The recent volatility in the international markets proves that stability of this system is not guaranteed. An Asian financial crisis at the scale of the ongoing one in the U.S. could have disastrous results for U.S.-Chinese relations. It would be wise, therefore, for the U.S. to strengthen the existing system while it still can do so to ensure that China will have no other option but responsibly to engage and participate in accordance with the current standards.¹⁷ These ideas will be further explored in the chapters that follow.

CHAPTER 2:

¹⁷ Ikenberry, G. John. "The Rise of China and the Future of the West; Can the Liberal System Survive?" *Foreign Affairs Jan/Feb 2008* 87. 1 (2008), p. 23 (1-5 online).

Historical Analysis of the U.S. Rapprochement with China 1969-1972: Setting the Tone for a future Policy of “Engagement”

*We have at times in the past been enemies. We have great differences today. What brings us together is that we have common interests which transcend those differences. As we discuss our differences, neither of us will compromise our principles. But while we cannot close the gulf between us, we can try to bridge it so we may be able to talk across it.*¹⁸

Richard Nixon 1972

It is a rare occasion in history when an event is able to convey the magnitude of its significance at the time it unfolds. On February 21, 1972, when President Richard M. Nixon set foot on Chinese soil, the world stood by and consciously watched history in the making. Nixon’s trip symbolized a dramatic reversal in U.S. foreign policy. It ended nearly twenty years of estrangement between the two nations, which began in 1949, when the Communists seized power in Beijing and the U.S. chose to recognize Chiang Kai-shek’s ROC government in Taiwan as the sole legitimate rulers of China. This chapter examines the historical foundations of U.S. engagement policy through an analysis of Nixon and Kissinger’s opening of China.

When Nixon, joined by Kissinger as his national security advisor, took office, both men believed U.S. foreign policy had fallen in a state of crisis. The Vietnam War was squandering the country’s geopolitical resources. During a decade in which tensions

¹⁸ Nixon, Richard M. *The Memoirs of Richard Nixon*. New York: Grosset & Dunlap, 1978. p. 565

between the Soviet Union and the U.S. had reached its zenith, the Soviet Union had achieved nuclear parity with the United States. Nixon and Kissinger believed an emboldened USSR, combined with the spread of Communism in many parts of Asia, presented a significant threat to U.S. global interests and security.

As strong adherents to the philosophy of *realpolitik*, they saw that nothing less than the power of the United States was at stake in this crisis.¹⁹ According to this school of thought, power is the most vital aspect of national interests in international relations. From this theoretical viewpoint the security of a nation is dependent upon the preservation of its power, and thus policies must be drafted to promote and protect this vital resource. In previous administrations during the Cold War, the U.S. maintained its power balance with the Soviet Union by allocating tremendous funds to the advancement of military technology, especially nuclear weapons. Yet, a decline in America's global economic position eliminated the possibility of regaining strategic superiority through the proliferation of more weapons. The costs of funding the Vietnam War had led the U.S. to run its first bilateral trade deficit with Japan in the postwar period.²⁰ Militarily containing the Soviet Union was draining the U.S. economy. Consequently, Nixon and Kissinger were motivated to explore new alliances that might bolster their diplomatic leverage over Moscow.

¹⁹ Brown, Seyom. *The Crisis of Power: An Interpretation of United States Foreign Policy During the Kissinger Years*. New York: Columbia University Press 1979. P. 2

²⁰ Schaller, Michael. "Détente and the Strategic Triangle, or 'Drinking Your Mao Tai and Having your Vodka too'." In *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*. Edited by Roberts S. Ross and Jiang Changbin. Cambridge, Mass., 2001. P. 362

In the opening months of his presidency, Nixon decided that rapprochement with China would best advance the strategic national interests of the United States. He believed a relationship with China would give the U.S. a strategic advantage over the USSR, and to a lesser degree it could be useful in terminating America's involvement in Vietnam. But in 1969, few could have predicted the fortitude with which Richard Nixon would pursue an opening to China, given his reputation as a ferocious anti-communist. However, above any ideological convictions, Nixon was a realist. He understood that the integration of China into the global community was inevitable. But more importantly, it was imperative for the stability of the international structure. In February of 1970, Nixon publicly presented his intentions to improve ties with China in his first foreign policy report to Congress.

The Chinese are a great and vital people who should not remain isolated from the global community. United States Policy is not likely soon to have much impact on China's behavior, let alone its ideological outlook. But it is certainly in our interest, and in the interest of peace and stability in Asia and the world, that we take what steps we can toward improved practical relations with Peking... We will seek to promote understandings which can establish a new pattern of mutually beneficial actions.²¹

His arguments here were reminiscent of similar ideas he had outlined in an article entitled, "Asia after Vietnam", which appeared in the 1967 issue of *Foreign Affairs*. He understood that the realities of the international structure would eventually force the U.S. to engage with China. He concluded it was better to dictate the terms of engagement while China was the relatively weaker power and the United States could use an alliance with it to further U.S. strategic interests. Ultimately, Nixon, who was later joined by

²¹ Nixon, Richard. *U.S. Foreign Policy for the 1970's: A New Strategy for Peace; A Report to Congress by Richard Nixon President of the United States* February 18, 1970. 141

Kissinger on this view, believed that improved ties with China would accelerate the pace of strategic arms negotiations with the Soviet Union.²²

Thus on the part of the United States, the motivations for engaging with China were twofold. First, it provided a significant strategic advantage for the U.S. over the Soviet Union in the power politics that dominated the Cold War. This was the primary concern driving the strategy. A second reason was the idea that the United States could benefit from the exchange of culture, ideas, and markets with China. Similar considerations led the Chinese to reach the same conclusion.

In China, fears of the Japanese, but primarily Soviet military expansionism prompted the Mao and Zhou to take the bait offered by the U.S. Furthermore, the Cultural Revolution had ravished the economic infrastructure of the country. Although Mao and Zhou were not entirely prepared to abandon the principles of the Revolution, they understood that the only way for China to become a geopolitical force, a so called “great power”, was through a process of economic and technological modernization.²³ For this to take place, it was necessary for China to abandon its isolationist policy and seek venues that would allow for its integration into the global community. Developing a relationship with the United States presented itself as the most viable catalyst for securing these ends. America was the gateway to the West, and ultimately modernity. This process, however, would not be completed until Deng Xiaoping’s regime was in power during the 1980’s after he moved to fully normalize diplomatic relations with the U.S. during the Carter Administration in 1979. At the time Nixon moved to reconcile relations,

²² Kolodziej, Edward A. “Foreign Policy and the Politics of Interdependence”. *Polity*, Vol. 9, No. 2. (Winter, 1976), pp. 121-157.

²³ Harding, Harry. *A Fragile Relationship: The United States and China since 1972*. Washington, D.C: The Brookings Institution, 1992. P. 4

the benefits of establishing cultural and economic ties with China were also becoming increasingly clear in the United States. Regaining access to the Chinese market was advantageous to American business. In 1946, at its height, the Chinese market accounted for 5 percent of total American exports.²⁴

These two common interests, first, a short term goal of deterring the threat of Soviet expansion, and the second, a long term goal of bringing the United States and China closer together culturally and economically, provided the foundation for engagement and collaboration.²⁵ Nevertheless, at the time of Nixon's visit, China and the United States remained deeply divided by ideology and culture. Bridging this gap presented a significant challenge. The divergent opinions concerning the Taiwan issue threatened to override any possibility for cooperation in the stated areas. Consequently, in order to ensure the success of rapprochement and the future normalization of relations, Nixon and Kissinger had to persuade Mao and Zhou of the necessity for collaboration in spite of disagreements, such as Taiwan, that could not be immediately resolved.

Nixon and Kissinger accomplished this end by exaggerating the importance of the common interests upon which the two countries could develop a relationship. Ultimately, the success of Nixon and Kissinger's diplomacy was grounded a realistic reassessment of Chinese objectives and capabilities. Under Nixon's guidance, Kissinger began to extensively research China. Motivated by the theoretical implications of structural realism, Kissinger concluded that it was the security threat presented by the Soviets, and not a solution to the political future of Taiwan, that was China's primary concern. Pursuant to this analysis, Kissinger believed that for the Chinese, finding a strategy to

²⁴ Ibid 5

²⁵ Ibid 5

contain Soviet expansionism would override any ideological concerns, such as the political future of Taiwan. After his secret trip, it was clear that a heightened security threat to the Chinese would dilute any possibility of the Taiwan issue blocking a breakthrough in relations. The Taiwan issue, however, would require significant concessions on the part of the U.S. before a breakthrough in relations could occur. This point will be addressed in a latter section. The key facet of the American diplomacy, which secured the opening of China, was a balance of exaggerating a Soviet military threat, while quickly pacifying any anxieties on the part of the Chinese that emanated from their historic suspicions of Western betrayal with reassurances of U.S. friendship.

Although the second interest of bringing China and the U.S. closer together remained important to developing relations, the primary motivation for engagement, on both ends, was a common opposition to the USSR. In the short run, exaggerating the Soviet threat was beneficial because it broke the pattern of estrangement. Nonetheless, in the long run this strategy was problematic. In the realm of geopolitics, a relationship based on the common resentment of an adversary is very weak. In his doctoral dissertation, Kissinger emphasizes this notion: “For opposition can create a wide consensus, perhaps even the widest attainable one, but its components, united by what they do not like, may be greatly at odds about what should replace it.”²⁶ The demise of the Soviet Union, significantly strained this fragile relationship, and will be discussed in Chapter four.

However, given the magnitude of the divide in ideological values, the strategic threat of the Soviet Union was the only thing strong enough to initially bridge the gap

²⁶ Kissinger, Henry A. *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822*. Houghton Mifflin Company Sentry Edition, 1979. p. 7

between China and the U.S. Since this first common interest only provided the possibility for a fleeting alliance, Nixon and Kissinger solidified the foundations of the relationship by simultaneously advancing the second common interest. The exchange of cultures and markets during the process rapprochement legitimized the incentives for engaging. Even though this second common interest was less prominent than the first, it provided a framework for the future normalization of US/Chinese relations. The cultural and economic relationship that developed following these initial effort, helped ease the strain put on the relationship when the external threat of the Soviet Union evaporated. More importantly, it was Nixon's pursuit of this second interest during rapprochement that facilitated China's integration into the community of nations. Furthermore, the process of opening China set the tone for the development of future relations: a policy of engagement based on the interplay of collaboration and competition.

SEC. 1: A HISTORY OF HOSTILITIES

Nixon and Kissinger's efforts to open China were plagued by twenty years of estrangement, motivated by hostilities originating in the early phases of the Cold War. In 1949, when the Sino-American conflict began, much of the world was divided into two ideological camps: communists and capitalists. Thus, when the Communist revolution descended upon Beijing, establishing the People's Republic of China, Washington's deepest fear was realized: the creation of a monolithic communist bloc whose sphere of influence would now extend throughout Eastern Europe and Southeast Asia. In many prominent circles within the United States, it was seen as nothing less than a Communist

conspiracy for world domination.²⁷ This idea was further ingrained in the minds of American policy makers with the onset of the Korean War in 1950. In a letter to the British foreign minister, Secretary of State Dean Acheson wrote, “there can be little doubt but that Communism, with China as one spear-head, has now embarked upon an assault against Asia with immediate objectives in Korea, Indo-China, Burma...”²⁸ It was the official perception in the U.S. that the “Red Tide” was moving to engulf all of Asia. As a result, Washington adjusted its policies accordingly with respect to Beijing.

Containment and isolation were the tenant features of U.S. China policy for the next twenty years. Washington implemented a series of abrasive military and diplomatic tactics, or the purposes of advancing this strategy. These actions, in turn, elicited a reciprocal hostile response in Beijing. Beginning with the Truman Administration and ending with Nixon’s, direct American diplomatic relations were severed with Beijing. Furthermore, a pervasive U.S. effort to block China’s admission to the United Nations emerged, as well as a strict ban on trade with the mainland. China responded to these moves by sending economic and military aid to anti-Western and left-wing movements throughout Asia, where Vietnam was only one of many recipients.

The most critical manifestation of Washington’s new position concerning China was its shift in policy towards Taiwan, which became the central issue dividing the nations. In June 1950, President Truman ordered the Seventh Fleet to protect Taiwan, thereby reaffirming America’s commitment to the security of the island. This action was followed by the resumption of military assistance to Taipei and a subsequent mutual

²⁷ Macmillan, Margaret. *Nixon and Mao: The Week that Changed the World*. New York: Random House, 2007. p. 102

²⁸ Ibid 102-3

defense treaty with the Nationalist government of Chiang Kai-Shek.²⁹ Moreover, the United States supported the position that the legal status of Taiwan was undecided, but it would no longer be recognized as a part of the mainland. Essentially, this had the effect of supporting Chiang Kai-Shek's position, which claimed that the ROC was the sole legitimate ruler of China. Undoubtedly, this implied that the Communist government in Beijing was illegitimate and should therefore the PRC should not be recognized as a major world power. The PRC vehemently refuted this policy, citing that Taiwan was indeed a part of the mainland. In addition, Mao's government claimed the mutual defense treaty, as well as the U.S. military mission on the island were a violation of China's national sovereignty, and as a result should be readily dealt with through force. The "Taiwan Issue" became the biggest obstacle for Nixon and Kissinger in their pursuit of rapprochement. It was the hostilities surrounding Taiwan that almost brought China and United States to military confrontation during Taiwan Strait Crisis in 1958. In the current state of affairs, although the dimensions behind the disagreement have changed to some extent, the Taiwan issue remains a substantive problem in U.S.-China relations. The nature of it will be further examined both chapter three and four.

At the height of the Cold War, investment, cultural relations, and intellectual exchanges were entirely absent. The true character of estrangement is best illustrated in the following description:

There were no formal diplomatic ties, no trade, no legal travel back and forth, and virtually no mutual contact between ordinary citizens of the two countries...Probably never in the modern period have two major societies been so isolated from each other for so long in peacetime...China and the United States confronted each other, at a distance, as implacable adversaries.³⁰

²⁹ Harding, Harry. *A Fragile Relationship: The United States and China since 1972*. Washington, D.C: The Brookings Institution, 1992. P. 27

³⁰ Ibid 33

With the absence of even limited cultural, diplomatic, and economic exchanges, the U.S. and China had no insight into each other's political climate. Consequently, a tendency to exaggerate Chinese capabilities and miscalculate their objectives became standard practice in Washington. When events in the international system began to favor the prospect of reconciliation, above all else, it was a misinformed perception of China that prevented the possibility of rapprochement in earlier Administrations.

During the Kennedy and Johnson Administrations, futile attempts were made to reach out to Beijing. These minimal conciliatory gestures, however, were ill received by the Chinese. At the time, the PRC was invigorated with zealous fervor emanating from the Cultural Revolution.³¹ The destructive effects of the program were not yet apparent. Mao believed any concessions made to the U.S. would be interpreted as a sign of weakness and serve to undermine his absolute authority. In 1968, motivated by the revolutionary tide, China suspended bilateral ambassadorial contacts in Warsaw, which remained the sole official diplomatic contacts between the two nations.³² The war in Vietnam heightened feelings of animosity on the part of the U.S. towards the Chinese, who were financing the North Vietnamese war effort.

In the years that followed, a huge information gap was developed. As a result of being isolated from one another, an environment developed to foster fears and anxieties in both countries. A lack of communication combined with these sentiments gave way to false preconceptions of each other's objectives. This led to the creation and

³¹ Schaller, Michael. "Détente and the Strategic Triangle, or 'Drinking Your Mao Tai and Having your Vodka too'." In *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*. Edited by Roberts S. Ross and Jiang Changbin. Cambridge, Mass., 2001. P. 364

³² Ibid 264

implementation of faulty policy. It was portrayed as a petulant adversary, whose values were incompatible with those of liberal democracy, and therefore not worthy of negotiations until Beijing modified its behavior. Although, American opinion concerning China was divided, it was this one which reflected the majority consensus and strongly supported by a powerful China Lobby.

SEC. 2: RAPPROCHEMENT WITH CHINA

When Nixon took office, certain events came to his assistance, that brightened the possibility of a reconciliation between China and the U.S. Beginning in 1956, with Khrushchev's revelations of Stalin's brutalities, an ideological rift ensued between the two communists giants.³³ However, it was not until the Soviet invasion of Czechoslovakia in 1968, followed by Brezhnev's statement citing Moscow's indefinite right to intervene in the domestic affairs of any communist country, that China began to alter its perception of the USSR from ally to adversary.³⁴ The fear Soviet expansionism in Asia was exacerbated in the minds Mao and Zhou during a Sino-Soviet border clash in 1969. Chinese anxieties continued to mount in the face of the Soviet's deployment of a large number of troops along the Ussuri River. Nevertheless, while circumstances may have helped, it is doubtful "whether rapprochement could have occurred with the same decisiveness in any other Presidency".³⁵ More precisely, it was Nixon's tremendous foresight and intuition setting the policy direction coupled with Kissinger's shrewd diplomatic skill in its implementation that gave life to the policy of rapprochement. China had figured extensively into Nixon's early political career. It was his vision that dictated

³³ Kissinger, Henry A. *Diplomacy*. New York: Simon & Schuster, 1994. P.704

³⁴ Kolodziej, Edward A. "Foreign Policy and the Politics of Interdependence". *Polity*, Vol. 9, No. 2. (Winter, 1976), pp. 121-157.

³⁵ Kissinger Henry A. *White House Years*. Boston: Little Brown and Company, 1979. 162

the nature of the policy and guaranteed it would be carried out. A closer analysis regarding some of his statements concerning U.S. China policy will better illustrate this point and provide a foundation for understanding “engagement” policy that was pursued. In 1954, in a NSC meeting leading up to the Geneva Conference, Nixon privately argued it would best serve national interests of the United States to consider the possibility of trading with Communist China.³⁶ He cited that trade could be used as a bargaining chip in negotiations to pursue more direct contact with the PRC without having to recognize the government. What is important to highlight in this early policy recommendation, is the larger strategic backdrop against upon which Nixon rested his argument. The trade proposal reflected Nixon’s deeper conviction that “China was too important” to the United States to be ignored or isolated. It was the key to Asia...and Washington simply had to engage with the issue of China in its Asian strategy.”³⁷

An article Nixon wrote for *Foreign Affairs* in 1967, entitled “Asia After Vietnam”, is often cited in the relevant literature as the clearest articulation of Nixon’s later China strategy. In his memoirs, Nixon himself wrote that the arguments presented were the most public revelation of his strong belief in the importance of establishing relations between the United States and China. Nixon wrote:

Taking the long view, we simply cannot afford to leave China forever outside the family of nations, there to nurture its fantasies, cherish its hates and threaten its neighbors. There is no place on this small planet for a billion of its potentially most able people to live in angry isolation...For the short run, then, this means a policy of firm restraint, of no reward, of a creative counter pressure designed to persuade Peking that its interests can be served only by accepting the basic rules of international civility. For the long run, it means pulling China back in the

³⁶ Goh, Evelyn. *Constructing the U.S. Rapprochement With China, 1961-1974: From “Red Menace” to “Tacit Ally”*. Cambridge, United Kingdom: Cambridge University Press, 2005. 104

³⁷ Ibid 104

world community—but as a great and progressing nation, not as the epicenter of world revolution.³⁸

Nixon, again, addressed these points in his inaugural address. His argument carried tremendous foresight into the events of international relations. He understood that the realities of the international structure would eventually force the U.S. to engage with China. He concluded it was better to pacify the existing hostilities while China was in a weaker position.

Once in office however, above all else, Nixon's China policy was primarily motivated by his desire to ease growing tensions with the Soviet Union. Nixon believed he could accomplish this by pursuing a relationship with China and adding a triangular dynamic to the bi-polar conflict. The leverage gained by playing the "China Card" would in his mind accelerate the pace of strategic arms negotiations between the two superpowers. Kissinger was intrigued by Nixon's early ideas on China, but not entirely convinced. He believed the prospect for rapprochement would only be possible in the face of a real and present danger to China on the part of the Soviet Union. With the growing military tensions at the Soviet-Chinese boarder, Kissinger got the assurance he needed.

Nixon and Kissinger postulated that China's mounting security concerns resulting from the growing external military threats presented by the Soviet Union would be motivated to improve relations with the United States. Consequently, it was this variable that would determine the success of Nixon and Kissinger's strategy. Guided by the theoretical stipulations of structural realism, Nixon and Kissinger wagered that Mao and Zhou's concerns to ensure the security of China would "override their disdain for

³⁸ Nixon, Richard M., "Asia After Vietnam". *Foreign Affairs* 46.1 (October 1967): 111-36

capitalism, unity with Hanoi, and even their desire for the unification of Taiwan to the mainland, issues that had isolated the nations from each other for almost twenty years”.³⁹ To advance their strategy, Nixon and Kissinger would have to open the lines of communication so as to inform the Chinese of their intentions.

In the fall of 1969, Nixon and Kissinger began taking steps that would allow them to communicate more directly with the Chinese. After Nixon had set the policy direction, Kissinger took the appropriate measures to advance it. He instructed Walter Stoessel, the American ambassador in Warsaw, to contact the Chinese ambassador, Lei Yang. Stoessel was told to request the resumption of ambassadorial talks for the purpose of discussing prospects for future high-level negotiations. Beijing was readily informed of this invitation and shortly thereafter instructed Yang to set up a meeting. On January 20, 1970, Stoessel and Yang met and marked “a new beginning” in U.S.-China relations.⁴⁰ In this first informal gathering, Stoessel made it clear to Yang that Nixon was prepared to send a high-ranking official from his administration or receive one from China to discuss issues of national interest to both nations. On February 20th, speaking on the behalf of Mao, Yang told Stoessel “the Chinese would be pleased to receive a high-level envoy to explore further solutions to the fundamental questions of Sino-American relations.”⁴¹

This meeting, which seems insignificant when set against the magnitude of the endeavor it sought to accomplish, was a major benchmark in the rapprochement process. For the first time, Beijing was made acutely aware of the seriousness behind the Nixon

³⁹ Schaller, Michael. “Détente and the Strategic Triangle, or ‘Drinking Your Mao Tai and Having your Vodka too’.” In *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*. Edited by Roberts S. Ross and Jiang Changbin. Cambridge, Mass., 2001. P. 372

⁴⁰ Ibid 370

⁴¹ Macmillan, Margaret. *Nixon and Mao: The Week that Changed the World*. New York: Random House, 2007. P. 170

Administration's intentions of opening a political dialogue between the two countries. From this point forward, both sides understood there was a common desire for improving relations. The Warsaw contact clarified any mixed signals Beijing was receiving from Washington. It was the first in a series of moves to correct the misperceptions that prolonged the estrangement. Moreover, the Stoessel/Yang encounter was the departure point for subsequent high-level diplomatic negotiations. As a result, Nixon and Kissinger began to prepare for such a summit. However, their efforts were hindered by what Kissinger called "bureaucratic foot dragging" of the worse kind.⁴²

The State Department remained distrustful of Beijing's intentions. Representative of the bureaucracy's cautionary nature, it took the position that such an exchange necessitated a clear change in China's confrontational policies with the U.S. In addition, State worried that a meeting of this caliber would compromise America's alliance with Japan and Taiwan. These objections from the State Department coupled with the American invasion of Cambodia in 1970, which China vociferously condemned, had the affect of prolonging any diplomatic encounter between American and Chinese officials. Nevertheless, this temporary strain in U.S.-China relations, which had delayed the possibility of a meeting, was eased in a matter of months. It was due, in part, to the withdrawal of American troops from Cambodia in July, which was further supplemented by conciliatory concessions on the part of the U.S. allowing for the exchange of material goods between some of America's European Allies and the Chinese.⁴³

The protests stemming from the State Department did not prove to be as palatable, as those of the Chinese. The bureaucratic constraints, which continued delaying any

⁴² Ibid 171

⁴³ Ibid 171

further actions to implement their strategy, greatly exacerbated Nixon and Kissinger's disdain and mistrust of bureaucracy. Their solution to the problem at hand was simple: the exclusion of the State Department from any knowledge or decision-making concerning the China initiative. In 1970, two secret channels, were established with the Chinese in which the White House would directly manage the contacts. The second of these channels, which went through Pakistan, yielded the greatest success and ultimately gave way to Kissinger's secret trip.⁴⁴

On December 8, 1970, Kissinger received a message from the Chinese via the Pakistani channel. It was a message written by Zhou under Mao's instructions to Nixon, inviting a representative of the president to come to China. It outlined that the primary purpose for the meeting was to discuss the American presence in Taiwan. Zhou conveyed the tremendous significance of this message by highlighting how it was the first time in their numerous contacts that a proposal for such an exchange was issued from one head of state to another.⁴⁵ Thrilled at the prospect of finally meeting the Chinese, Nixon and Kissinger, understood that limiting the agenda to Taiwan would undermine their strategic objectives. Solely discussing Taiwan may have led to a stalemate early on in the process of rapprochement. It was believed that this scenario could be avoided by exaggerating the threat of Soviet expansionism, which they believed was Beijing's overarching national interest. In Kissinger's response he emphasized this point, citing that the meeting "would not only be limited to Taiwan but would encompass other steps designed to improve

⁴⁴ Dallek, Robert. *Nixon and Kissinger: Partners in Power*. New York: Harper Collins, 2007. P. 289

⁴⁵ Kissinger, Henry A. *White House Years*. Boston: Little Brown and Company, 1979. P. 701

relations and reduce tensions”.⁴⁶ With the exception of minor exchanges, this correspondence was followed by months of silence.

During the ensuing interim period, Kissinger took various measures to educate himself on China.⁴⁷ His task was to find a means of improving relations without compromising the U.S. commitment to Taiwan. At this point it was clear that Taiwan would be a perpetual irritant in their course of their negotiations and would continue to block gradual improvement in U.S.-China relations. Therefore, in devising the American approach, Kissinger understood it was necessary to reduce the centrality of Taiwan. Studying an array of issues confronting Chinese policymakers allowed Kissinger to gain a better understanding of Beijing’s national priorities, and where Taiwan realistically fell on this spectrum. Diplomatic success is entirely dependent on the negotiators ability to precisely calculate the other side’s objectives. As a dedicated student of diplomacy, Kissinger understood this better than anyone. He concluded that above all else, China sought a relationship with the U.S. to counterweight the threat of Soviet expansionism.⁴⁸ The issue of Taiwan could be marginalized if the Soviet threat appeared eminent. Nevertheless, Nixon and Kissinger realized that a “gift” was necessary to appease the Chinese grievances over the issue. This would take the form of the PRC’s acceptance into the U.N. and the removal of Taiwan, an event that will be discussed in a later section.

On April 6, 1971 the months of silence were broken when the Chinese spontaneously invited an American table tennis team to visit China after its participation in the World Table Tennis Championship in Japan. Mao, himself, extended the invitation.

⁴⁶ Ibid 702

⁴⁷ Ibid 704-705

⁴⁸ Ibid 706

The whole visit was designed to inform the White House that Beijing had noticed its initiatives and eager to proceed.⁴⁹ This exchange helped in some part to ease existing tensions. It was a public message to the world that the relationship between China and the U.S. was changing. It marked yet another breakthrough in relations. On April 27, Kissinger received another message inviting him to Beijing, but this time Zhou had dropped the demand for the withdrawal of U.S. forces from Taiwan as a precondition and agreed to the stipulations that Taiwan would be among one of many issues discussed.⁵⁰

Shortly thereafter, Nixon agreed to send Kissinger as his emissary in the first set of negotiations to outline an agenda for his summit with Mao. The details of Kissinger's visit were meticulously planned to preserve the secrecy of the endeavor. During his scheduled tour of Asia, while visiting Pakistan, Kissinger boarded a commercial Pakistani airliner in disguise and secretly slipped away to Beijing. The Administration's public alibi was that Kissinger had fallen ill with a severe stomach virus and had to withdraw to the seclusion of a private facility for proper medical treatment.

Once in Beijing, Kissinger met with Zhou over a three-day period. The purpose of the exchange was meant to outline the foreign policy objectives of both nations, while drawing particular emphasis to areas of cooperation that could serve as the basis for improving ties, in preparation for Nixon's visit.⁵¹ Through this experience, Kissinger was able to gain an understanding of the issues motivating Chinese behavior and prepare the

⁴⁹ Macmillan, Margaret. *Nixon and Mao: The Week that Changed the World*. New York: Random House, 2007. P.180

⁵⁰ Schaller, Michael. "Détente and the Strategic Triangle, or 'Drinking Your Mao Tai and Having your Vodka too'." In *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*. Edited by Roberts S. Ross and Jiang Changbin. Cambridge, Mass., 2001. P.373

⁵¹ Schulzinger, Robert D. *Henry Kissinger: Dr. of Diplomacy*. New York: Columbia University Press, 1989. P. 91

Administration's diplomatic agenda accordingly. In the negotiations that followed, it was clear that each side had an issue of primary importance. For China, it was Taiwan, and for the United States it was extrication from Vietnam.⁵²

Zhou reiterated the longstanding Chinese position on Taiwan. Although they would not use force to integrate the island into the mainland, the PRC opposed special status for Taiwan and demanded to replace it in the U.N. in order to recognize the communist government as the legitimate authority of China.⁵³ Furthermore he insisted upon the withdrawal of U.S. forces from the island. On the issue of Vietnam, Zhou articulated the traditional revolutionary standpoint, denouncing the conflict as an illegitimate and imperialistic endeavor. The American war effort was a violation of the national sovereignty of the North Vietnamese and went against the principles of the Revolution.

On the issue of Taiwan Kissinger made several concessions. First, he cited the reduction of American troops would be linked to the improvement of relations with the PRC and the termination of the Vietnam conflict. Second, he assured Zhou that Washington would object to any attack by Taiwan against China. Thirdly, he informed Zhou that in his second term, Nixon would formally recognize the PRC. Lastly, Kissinger told Zhou that Washington was prepared to support the reinstatement of China to the United Nations, so long as it did not replace Taiwan.⁵⁴ Although Zhou, and above all

⁵² Macmillan, Margaret. *Nixon and Mao: The Week that Changed the World*. New York: Random House, 2007. P. 194

⁵³ Dallek, Robert. *Nixon and Kissinger: Partners in Power*. New York: Harper Collins, 2007. P.295-6

⁵⁴ Harding, Harry. *A Fragile Relationship: The United States and China since 1972*. Washington, D.C: The Brookings Institution, 1992. P.42

Mao, was not completely satisfied with these concessions, they were sufficient enough to allow for further improvement in relations.

The most significant issue raised in this first encounter, however, was China's concern of Soviet expansionism in and Asia. Zhou expressed his desire that the United States would be willing to cooperate with China in order to maintain the balance of power in the region.⁵⁵ All this, confirmed Kissinger's suspicions. He quickly moved to implement his strategy. Kissinger informed Zhou, that for the reasons he raised, it was vital to maintain an American military presence in the region. In order to convince Zhou of the rationality behind this logic, Kissinger proceeded to provide him with American intelligence data regarding the Soviet military deployment along the Chinese border.⁵⁶ The purpose of this gesture was two fold. First, it served to exaggerate and confirm China's greatest security threat. Secondly, it was meant to reassure Zhou and Mao of the U.S. commitment to collaborate on the issue by sharing classified information. Kissinger eased any further anxieties but assuring Zhou that the U.S. would not collaborate with Moscow in any endeavors that were aimed against the Chinese. Zhou and Kissinger would meet again in October to outline the terms of the joint communiqué.

In hindsight, it is impossible to ignore the magnitude of the challenge laying before these men in this first exchange. Kissinger and Zhou represented societies that on the surface appeared ideologically and culturally incompatible. In addition, the issue of Taiwan, with no immediate resolution in sight, seemed to reduce the importance of any other potential areas of collaboration. Nevertheless, Kissinger and Zhou were able to

⁵⁵ Ibid

⁵⁶ Schaller, Michael. "Détente and the Strategic Triangle, or 'Drinking Your Mao Tai and Having your Vodka too'." In *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*. Edited by Roberts S. Ross and Jiang Changbin. Cambridge, Mass., 2001. P. 374

overcome these impediments by engaging in a constructive dialogue based on exchanging their perceptions of global and Asian affairs.⁵⁷ It provided a clear understanding of each other's purpose and worldview. Furthermore, it established a level of confidence between the two men that is necessary for the success of any diplomatic negotiations. By exchanging their ideas, Kissinger and Zhou realized that pragmatic security concerns overrode ideology on both sides. Zhou explained to Kissinger that a tradition of common interests existed between their two societies. However, much as Kissinger predicted, the one that was strong enough to override existing tensions was their mutual resentment and fear of the Soviet Union. A common security threat had the effect allowing for a breakthrough in relations without the immediate resolutions to issues such as Taiwan.

Mao was pleased with the outcome of the meeting. He approved the language of a decree, drafted by Zhou and Kissinger, inviting Nixon to visit China. The announcement was carefully prepared so to present the visit as the product of equal efforts on the parts of both nations. This way Nixon would not be seen as paying tribute to the Chinese, and Mao's invitation would not be interpreted as a sign of weakness. It established an image of equality and mutual respect.

Back in the United States, Nixon was attempting to secure domestic support for his policy initiative. He conferred with high level Republican Senators and convinced them of the importance surrounding the initiative. His efforts were successful. Once Kissinger returned with a positive report, they began to draft what would become the Shanghai Communiqué, issued at the end of Nixon's trip. After the completion of this

⁵⁷ Kissinger, Henry A. *White House Years*. Boston: Little Brown and Company, 1979. P. 746-7

first draft, Nixon ordered Kissinger to return to China in October in order to prepare the agenda for his visit and draft the language of the communiqué with Zhou.⁵⁸

The first draft Kissinger presented to Zhou followed what Nixon described as “standard diplomatic formula using vague and conciliatory language to patch over the most heated and insoluble problems”.⁵⁹ Here, Nixon is primarily referring to the issue of Taiwan. Zhou rejected the draft at once on the grounds of its superficiality. True progress, he cited, would only come from a realistic assessment of the “fundamental differences” between the two nations.⁶⁰ However, the version Zhou proposed contained such radical and inflammatory language that an agreement on Nixon’s part would compromise core American values.

In order to reach a compromise, Kissinger agreed that the communiqué follow the format suggested by Zhou: an outline of the differences between China and the U.S on various geopolitical issues. To improve the prospect of normalizing relations in the future however, Kissinger successfully argued that the document should include areas of agreement as well.⁶¹ His insistence on this point fit into the larger strategy for pursuing the opening. While differences existed, it was important to highlight any the areas of cooperation for the development of further positive relations. It provided a counterweight to the differences that threatened this possibility. Furthermore, highlighting areas of cooperation in this official document sent a message to the world that Nixon’s trip had succeeded in advancing the position of Sino-American relations. The areas of agreement

⁵⁸ Nixon, Richard M. *The Memoirs of Richard Nixon*. New York: Grosset & Dunlap, 1978. P.555

⁵⁹ Ibid 555

⁶⁰ Harding, Harry. *A Fragile Relationship: The United States and China since 1972*. Washington, D.C: The Brookings Institution, 1992. P. 43

⁶¹ Ibid 43

were i) the opposition of Soviet expansionism in Asia, and ii) expanding the Sino-American cultural and economic relationship.⁶² The document stated on both parts the hope for securing the normalization of relations and establishing formal and lasting diplomatic ties.

The question of Taiwan, however, was more difficult to resolve and further delayed Nixon's trip. Significant concessions were necessary for any progress to take place. On the part of the United States, it abandoned its former position opposing the Chinese one stating that there was only one China and Taiwan was part of China. Nevertheless, while the U.S. would not challenge this did not mean that it would necessarily accept it. Furthermore, the U.S. pledged to ultimately withdraw all American troops from the island, but would do so only in the wake of a peaceful settlement over the issue.⁶³ During his visit to China, Nixon was able to secure support for the document and the future of relations by privately promising to accept any peaceful solution to the Taiwan issue, refusing to support independence movements on the island, and advancing the normalization of relations. China's admission to the U.N. in October of 1970 and the removal of Taiwan, which Nixon carefully ensured would not be blocked by the American delegation, helped to accelerate the pace of his visit.⁶⁴ While these concessions allowed for the possibility of Nixon's visit, they were not bold enough to substantially alter the differences divided the two nations over the issue of Taiwan. For this reason, the

⁶² Ibid 43

⁶³ Foot, Rosemary. "Prizes Won, Opportunities Lost: The U.S. Normalization of Relations with China, 1972-1979". In *Normalization of U.S.-China Relations: An International History*. Edited by William C. Kirby, Robert S. Ross, Gong Li. Cambridge, Mass: Harvard University Asia Center, 2005. P. 100

⁶⁴ Macmillan, Margaret. *Nixon and Mao: The Week that Changed the World*. New York: Random House, 2007. P. 217

normalization of relations would be delayed another six years. Essentially the Shanghai Communiqué was designed to ensure and uphold the image of progress in Sino-American relations, while not compromising either side's position on the problem of Taiwan.⁶⁵ Thus, because of the centrality of the stated common interests to the to each nation's national interests collaboration was possible in spite of an immediate resolution to Taiwan.

After months of planning, Nixon arrived in China on February 21, 1972. He sufficiently educated himself on Mao and China, so that he might bond with the dictator and eliminate the possibility of offending him out of ignorance. Throughout the entire visit, Nixon exaggerated the threat of Soviet expansionism, embellishing the facts when necessary. In one of his first meetings with Mao he asked him, "why did the Soviets have more forces on the border facing you than facing Western Europe?"⁶⁶ For the Chinese, this had the effect of reducing the outstanding issues of Taiwan and Indochina. In his meetings with Zhou, Nixon continued to stress the importance of balancing the Soviet threat in Asia. He reiterated Kissinger's promises of not making any agreements with the Soviets aimed against China. Secretly, he pledged to pursue the normalization of relations and hoped he could achieve this in his second term.

Nixon's trip and the Shanghai Communiqué allowed China and the U.S. to expand their diplomatic contacts, establishing normal diplomatic exchanges Paris and the

⁶⁵ Foot, Rosemary. "Prizes Won, Opportunities Lost: The U.S. Normalization of Relations with China, 1972-1979". In *Normalization of U.S.-China Relations: An International History*. Edited by William C. Kirby, Robert S. Ross, Gong Li. Cambridge, Mass: Harvard University Asia Center, 2005. P. 99

⁶⁶ Schaller, Michael. "Détente and the Strategic Triangle, or 'Drinking Your Mao Tai and Having your Vodka too'." In *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*. Edited by Robert S. Ross and Jiang Changbin. Cambridge, Mass., 2001. P. 384

United Nations. This provided both countries with greater information and knowledge of one another of which was used to accurately guide the formation of their policies. Set against the enormity of the endeavor they set out to accomplish, the shortcomings of Nixon and Kissinger's opening of China are outweighed by its successes. It bridged the gap left by twenty years of estrangement and gave way to what is perhaps the most important relationship defining the structure of the international political and economic system. In his last night in China, while giving a toast at the final banquet, Nixon downplayed the shortcomings of the rapprochement, and highlighted its successes. He said that the language of the communiqué was not nearly as significant as the future developments that were yet to come in the opening of this relationship. The single most important consideration at that point was "what we will do in the years ahead to build a bridge across the 16,000 miles and twenty-two years of hostility which have divided us in the past."⁶⁷ The summit provided the framework for achieving these ends and altering the structure of the global system to provide greater stability. For this reason, "it was the week that changed the world."⁶⁸

Sec. 3: Overview of Normalization and Implications for the Future

"[On recognizing China] But if you recognize anyone it does not mean you like them..."

Sir Winston Churchill

In November of 1973, Kissinger informed the Chinese that the Nixon Administration was "determined to do much more and to complete the process of

⁶⁷ Nixon, Richard M. *The Memoirs of Richard Nixon*. New York: Grosset & Dunlap, 1978. P.580

⁶⁸ Ibid 580

normalization we started two years ago as rapidly as possible”⁶⁹ during its second term. Nixon, however, was never able to deliver this promise during his remaining tenure as President. Ultimately, there were a number of factors obstructing Nixon’s ability to fully execute his vision. Outstanding questions surrounding the status of Taiwan continued to hinder the possibility of a breakthrough in negotiations. The greatest factors obstructing Nixon and Kissinger’s ability to deliver these results were, however, domestic. In the wake of America’s extrication from Vietnam, Nixon was falling under increasing scrutiny from the Congressional investigation for his role in the Watergate Scandal. Thus, “by 1973, according to Kissinger, Watergate was distracting Nixon and seriously harming the ability of the United States to conduct foreign relations”.⁷⁰ The revelations of the numerous abuses of power that constituted the Watergate Scandal and Nixon’s resignation, left Congress and the American public disillusioned and bewildered. The consequence was a tremendous decline in respect for the office of the presidency and the legitimacy of its authority. These realities of the domestic climate and his close ties to Watergate as Nixon’s Vice President, robbed Gerald Ford of any political capital that might have allowed him to finalize the process of normalization with China during his presidency. The process was dragged out for five long years until 1979.

China was also experiencing a similar crisis of authority. As Mao lay dying, there was no clear successor that would assume the leadership of the Communist Party and somewhat of a power struggle ensued. Kissinger tireless efforts were further hampered

⁶⁹ Schaller, Michael. “Détente and the Strategic Triangle, or ‘Drinking Your Mao Tai and Having your Vodka too’.” In *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*. Edited by Roberts S. Ross and Jiang Changbin. Cambridge, Mass., 2001. P. 388

⁷⁰ Macmillan, Margaret. *Nixon and Mao: The Week that Changed the World*. New York: Random House, 2007. P. 236

when his confidant Zhou passed away. In the absence of Zhou's pragmatism, a senile Mao was unwilling to relinquish the ideological base of his convictions, namely on the position of Taiwan, to allow for a breakthrough in relations. Although Taiwan continued to present itself as an irritant to the progression of U.S.-China relations during the Ford Administration, the domestic tied in both countries played a greater role in delaying the process. Once new leaders were instated in both nations the process was able to move forward.

Normalization: Striking a "Compromise" on Taiwan

In 1978 Deng Xiaoping secured his power hold in China. He was pragmatic in his deliberations and as a result seized the opportunity for a breakthrough with the United States at this time. He appealed to the Carter Administration to take a more proactive attitude on the issue of Taiwan so as to accelerate the pace of negotiations. Consequently, the central focus of these exchanges became U.S.'s relationship with Taiwan after diplomatic relations resumed.

The Chinese position on this issue can be delineated into three points, and are largely reminiscent of the earlier concerns presented during the course of Kissinger and Zhou's negotiations:

- (i) Taiwan is Chinese territory. Therefore, the U.S. military presence on the island constitutes as a violation of China's sovereignty because it is regarded as interference in the country's internal affairs.
- (ii) In order for normalizations to proceed, the U.S. must cease diplomatic contact with Taipei, withdraw its armed forces from the island, and abolish the Mutual Defense Treaty. But it can continue to have unofficial contacts with Taiwan.
- (iii) Discontinue selling weapons to Taiwan⁷¹

⁷¹ Li, Gong. "The Difficult Path to Diplomatic Relations: China's U.S. Policy, 1972-1978". In *Normalization of U.S.-China Relations: An International History*. Edited by

Under President Carter, the U.S. rejected this third demand, and maintained that it would continue providing weapons to Taiwan. Additionally, the American delegation demanded a minimum of one year's notice to the government of Taiwan before it would forge its security obligations set forth by the terms of the Mutual Defense Treaty. On this issue, both sides made concessions. The U.S. agreed to terminate the Mutual Defense treaty and China granted it a year to do it. Ultimately, however, a full agreement was never reached.

The outstanding issue, that remains a source of diplomatic tensions in the present day, was the question of U.S. arms sells to Taiwan. China continues to object to these transfers of weapons. Although the United States “conceded” that it would forge its official diplomatic ties and recognition of the Island, it continues to maintain unofficial relations set forth by the Taiwan Relations Act of 1979. This includes “commercial, cultural, and other relations between the people of the United States...and Taiwan”.⁷² Nevertheless, as discussed below, the language concerning the U.S.’s commitment to Taiwan’s defense carries an official tone, despite this appearance of compromise on the issue of the Mutual Defense Treaty.

At the time, Deng objected to these unbalanced concessions but maintained that it should not block the process from continuing. His solution was that both sides would state their own positions on the matter and agree to resolve this matter at a later date. The Chinese maintained that the “One China” position and that unification was an internal matter and does not render international interference. Deng and subsequent Chinese leaders added, however, that China would seek a peaceful course for reunification. U.S.

William C. Kirby, Robert S. Ross, Gong Li. Cambridge, Mass: Harvard University Asia Center, 2005. P.138-9.

⁷² Taiwan Relations Act

policy is vague and ambiguous in regards to the future political status of Taiwan. It has sought to maintain a neutral position by making a commitment to advance peaceful resolution to the issue. Under this general claim, the U.S. has pursued a policy of “dual assurance and dual restraint” since 1979 that encourages China to pursue unification through peaceful means and discourages Taiwan from pushing for statehood. Yet, section three of the Taiwan Relations Act obliges the U.S. defend the security of the island should China seek reunification by coercive measures. This includes preemptive measures of continual arms sales in order to enhance the sufficient self-defense capabilities of Taiwan.⁷³ Such explicit defense and security transactions and commitments are usually only between states that share official diplomatic contacts. Deng’s desire to proceed with his domestic and economic reforms motivated him to allow for a breakthrough despite his objections to what he perceived to be elusive and duplicitous maneuvers on the part of the U.S. Once both sides agreed to disagree on this matter, China and the United States published the Joint communiqué on the Establishment of Diplomatic Relation between the United States and the People’s Republic of China on December 15, 1978. It was the formal declaration that the United States and China had decided to recognize each other and as of January 1, 1979 would establish official diplomatic contacts.

Deng’s pragmatism was a necessary component to the success of normalization, but above all else, his greatest skill was patience. Deng understood that in order for China to one day fulfill its destiny and become a “great power” it would have to bide its time and make concessions along the way. In his diplomatic negotiations with the United

⁷³ Taiwan Relations Act (see appendix II)

States, he played off American impulsivity and necessity for instantaneous results. Deng made compromises and concessions that forfeited many of China's ideological convictions when he proceeded with negotiations despite an agreement over Taiwan. Deng granted his American counterparts this short-term victory. But China's recent economic success and its rise a geopolitical force seem to signal that there was a greater purpose in mind. One of the tenet features of Deng's vision for China was the country should "disguise its ambitions and hide its claws," allowing it to accumulate its power without interruptions of threats of containment.⁷⁴ As a result, China consented to the imbalanced terms of U.S. engagement in order to secure access to its markets. Normalization gave way to the political and economic exchanges as well as the transfer of ideas, namely technological expertise, that were crucial to China's development. Deng predicted it was the only way China would become strong enough to correct this distortion of power and reverse the perceived century long humiliation it suffered at the hands of Western Powers.

Presently, China's recent economic success is allowing it to demand for more equal terms in its bilateral relations with the U.S and exercise greater resistance to any terms that may comprise its own interests. In many ways this complicates the pattern of engagement set forth by Nixon and Kissinger hinging on the assumption that China is a weaker power and its interests can be shaped accordingly. The chapters ahead explore the origins of this new assertiveness in China's international behavior and how it is manifesting itself in the present state of U.S.-China relations.

⁷⁴ Ziegler, Dominic. "Reaching for a Renaissance." *Special Report on China and its Region; The Economist*. March 31st-April 6th 2007, (after p. 58; Report Inclusive 3-18). P. 4

CHAPTER 3:

China's Rise and the Challenges it presents to U.S.-China Relations

*Now China is very weak. She will grown strong, rich, and independent only after many years; but the important thing is that we must learn to remember these things... We shall emerge in the world as a nation with an advanced culture... And one with power.*⁷⁵

Mao Zedong 1949

⁷⁵ Macmillan, Margret. *Nixon and Mao: The Week that Changed the World*. New York: Random House 2007. P. 96, 100

The essential precondition for China's integration into the global community was the normalization of diplomatic relations with the United States in 1979. By opening the country to foreign investments and new trade opportunities, this newly established relationship accelerated the pace of China's transformation into a competitive and market-based capitalist economy. Arguably, the exposure to and participation in the international market system, a process that was largely facilitated by the U.S., is the force responsible for China's emergence as a major geopolitical power. In recent years, however, the process of engagement and integration unleashed during the 1972 rapprochement and the process of normalization is producing adverse effects for the U.S. The original intention was to bridge the political and cultural gap between China and the U.S by shaping China's interest in ways compatible with those of the U.S. However, China's ability to retain the authoritarian character of its government while implementing a rigorous program of economic liberalizations challenges the effectiveness of this model. Now because of its economic power, China can exercise greater resistance in meeting demands that run contrary to national interests. China's rise has therefore brought into sharper focus the divergent opinions it holds with U.S. over an array of political and security matters that have existed since 1979, while also adding new strains in the bilateral economic dialogue. This chapter illustrates how these developments contribute to growing tensions in the United State's political relationship with China.

For the most part, the perceived competition is largely limited to the areas of: (i) finance; (ii) demand for finite natural resources; (iii) security matters; and (iv) concern over China's growing economic power due to continuing large trade surpluses that have provided China with reserves equivalent to \$1.5 trillion. These reserves continue to rise

on upward growth path. Yet, the symbolic implications of this early competition have many fearing a return to the power politics of the Cold War. Prestige and influence ranked among the most important of national interests in this power dynamic. As China continues to emerge as a dominant economic force on the global stage, its newfound power is steadily translating into diplomatic leverage that penetrates far beyond its own borders. China now has “soft power” in regions, such as Latin America, the Middle East, and the Asia-Pacific, that have been considered to fall under America’s sphere of influence. For realists within the U.S., who adhere to the Nixon/Kissinger model of *realpolitik*, it appears the U.S. is locked into what seems to be “the power struggle of the twenty first century” with China.⁷⁶ From this standpoint, China is seen as a formidable rival or a potential “peer competitor.” Consequently, this group believes that preemptive unilateral measures should be taken to protect U.S. interests, namely its power, by containing China’s growing influence. Throughout the twentieth century this was the predominant pattern in U.S. foreign policy whenever this country’s regional power monopoly was threatened. They maintain that this practice will give way to a U.S. Chinese strategic and security rivalry. This chapter provides an overview of the issues and disputes contributing to this image of China as a rival, which, in turn, has compromised the clarity and consistency of U.S. China policy.

China’s economic power is visibly altering the distribution of power in its relationship with United States, when for at least the last seventy or eighty years the U.S. has maintained a sizeable advantage over China. This, accordingly, has a direct effect on the state of their political affairs because of Beijing’s newfound assertiveness in its

foreign policy. Thus, the chapter also demonstrates how this new development, resulting from its economic success, is complicating the traditional tactics of U.S. engagement when faced with new political and security challenges presented by a more powerful China. The competition that is unfolding between the two states is mitigating each one's approach to sensitive diplomatic issues. These issues include, but are not limited to: i) human rights and civil liberties; ii) how best to approach the problem of nuclear proliferation in Iran; iii) military or other or non-intervention in the internal affairs of sovereign states, such as Iraq, Iran, Sudan and now Kosovo; and iv) the future political status of Taiwan.⁷⁷ The most delicate and potentially explosive of these is the issue of Taiwan. As of the present day, it is the single security matter that holds a realistic potential for engaging the two countries in a direct military conflict. China and the U.S., however, have been able to avoid positioning each other as potential security threats over this issue since 1979.⁷⁸ This change in attitude derives from a combination of things. Taiwan has been transformed into a pressing matter of national security for many leading parts of the U.S. government, particularly the Pentagon, because of a belief that China will become a future adversary. China's growing economic and military power, coupled with the potentiality for ongoing strategic competition with the U.S. over finite energy resources contribute to this perception.

Despite such pressing issues, presently U.S. policy towards Beijing is ambivalent at best. This uncertainty results primarily from the fact that China's future course is shrouded by ambiguity. While the country continues to grow at an astounding rate, it is

⁷⁷ This Chapter, however, will limit itself to analyzing the dispute of military intervention in the case of Sudan

⁷⁸ Kynge, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. P. 234

plagued by pervasive social ailments that greatly inhibit its power. The previous chapters maintained the position that the ultimate goal of the U.S. engagement policy, and the primary motive for integrating China into the world system, is to help shape its interest in ways conducive to those of the U.S. Furthermore, in the past, engagement largely was based on the concept that China was weaker than the U.S. Consequently, Washington could formulate an agenda that greatly distorted the balance of power in its own favor. Since reestablishing relations with China, Washington has utilized unilateral policies, while operating under a bilateral, and at times, a multilateral façade. This practice has become somewhat emblematic of U.S. foreign policy in the last three decades. Under the current Bush Administration it has been dropped altogether for a more outwardly hostile and explicit style of unilateralism.

Beijing has always been aware of this distortion in its relationship with the U.S. In fact, since the 1970s, China's leadership has consistently called for a multi-polar world order, in which China, among other states, would become a viable force buttressing U.S. influence in the international community.⁷⁹ Once again, for those realists who view the U.S.'s preeminent position in the global community as a central security interest, the notion of a multi-polar world is rather alarming. Therefore, as China's economic and military power continue to grow at a rapid pace, many U.S. policy makers, who are guided by these concerns argue that an increased level of containment is necessary to protect the U.S. against the possibility of China as a future aggressor. Populist politicians, who want to build massive trade and other barriers in a futile attempt to boost domestic

⁷⁹ Bergsten, et al., *China: The Balance Sheet: What the World Needs to Know about the Emerging Superpower* (Washington, DC; Center for Strategic and International Studies and International Economics, 2006. P. 146-7

markets, now join the conservative hawks that maintain this line of rhetoric.

Protectionism and containment are slowly encircling and threatening U.S. trade and commerce policies. It is submitted that continuing to implement these tactics both unilaterally and without attempts to reassurance of good will have disastrous consequences for the future of this critical relationship.

The following sections will provide an overview of the sources fueling these growing anxieties within the U.S. government, as well as delineating the opposing opinions between China and the U.S. on the issues stated above.

SEC. 1: CHINA'S RISE

For the purpose of better understanding the unique challenge China's rise presents to the U.S., a review of its capitalist conversion is in order. Foreign Direct Investment (FDI) and trade, above all else, have been the principal forces driving China's booming private sector, which is a major source of its economic growth. China's capitalist transformation and economic success are more the result of its engagement with the international community than the domestic reforms undertaken to spur agricultural and industrial production in the 1980's. Thus, China is a product of the very system it threatens to unravel.

By presenting China's rise in this light it illustrates how much the country has benefited from its relationship with the U.S and the international community. Our economic dependence runs both ways. Unfortunately, increasing numbers of Americans are overlooking this critical fact. In part, this results from the mainstream media's tendency to act more like alarmists than a source of information. The media often present the statistical figures of China's rise in not only an intimidating and exaggerated light, but

also in a distorted context that addresses only one aspect of the relationship between China and the U.S. In many ways, because of China's reliance on the investment of U.S. corporations, it is just as limited in the level of diplomatic force it can exert over the U.S. as the U.S. is with China. It is important to keep these considerations in mind when calculating the challenges and potential threat posed by a rising China to the United States.

The remarkable success of China's flourishing economy traces its origins back to the market reforms implemented by Deng Xiaoping in the 1980s and 1990s. When Deng came to power after Mao and the Cultural Revolution, Deng understood that China desperately needed to modernize its economy if it wished to compete with the newly rising Asian powers of Taiwan, Hong Kong, Singapore and especially its age-old nemesis, Japan. Deng believed that China had to make a choice between modernizing its economy and infrastructure or facing the possibility of encirclement. The dilemma struck a cord with the nation's historical sense of victimhood.⁸⁰ A realist at heart, Deng chose the latter, even if it meant sacrificing the ideological base of Chinese Communism. His goal was to improve China's real income and living standards by adopting an agenda of economic liberalization.⁸¹ Clearly, Deng had inherited the diplomatic pragmatism of his predecessor Zhou Enlai. It was readily clear to Deng that inducing modernization solely through domestic reforms, such as increasing agricultural production and accelerating industry, would ultimately fail to yield the desired results. The legacy of the Cultural Revolution, coupled with the years of backwardness resulting from China's self-imposed

⁸¹ Colin Mackerras, Pradeep Taneja, and Graham Young. *China Since 1978*. Melbourne: Longman, 1998. P. 88

isolation, had devastated the Chinese economy and crippled industry. Given these realities, Deng supplemented a program of domestic economic reforms with a program to increase foreign investment. This program was intended to develop industry and increase China's level of participation in international trade. FDI and trade were the catalyst for capitalism and modernization.

China's economic development necessitated the adoption and maintenance of benign conditions within the international system that would ease the country's transition from isolation to integration.⁸² For this reason, Deng focused his attention on China's newly established relationship with the U.S. and finally moved to normalize relations with the U.S. on January 1, 1979. As noted in chapter two, concessions were made on both sides regarding the outstanding issue of Taiwan. However, these concessions greatly favored the conditions set forth by Washington, thus setting the tone for an imbalanced diplomatic relationship. As a prerequisite for participation in the international financial community, China also had to agree to U.S. financial laws and trade regulations. Since Deng was in no position to negotiate, Beijing was forced to accept Washington's "top down" demands. These early diplomatic interactions epitomized Washington's new approach towards engagement with China.

From the vantage point of the United States, China's new commitment to market reform was a symbolic ideological defeat for China and a tremendous victory for American diplomacy.⁸³ Nevertheless, it was a short-term concession that would produce

⁸² Meisner, Maurice. *Mao's China and After: A History of the People's Republic*. 3rd editions; New York: The Free Press, 1999.

⁸³ Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006.p. 94-5

greater results for China in the long run. As noted in chapter 1, those economies, which make these types of major market reforms and enter the liberal capitalist system later on, generally tend to achieve greater benefits. China is the poster child for this theoretical assessment. The new Chinese capitalist economy, which now accounts for 16% of the world's total current exports, can be authentically characterized as "made in China." Despite the adoption of this liberal economic system, paradoxically, the political system still clings to and protects the authoritarian nature of the Chinese state. However, the great irony lies in the fact that a large part of China's economic growth, was financed by America and other Western powers, staunch advocates of the liberal democratic freedoms associated with their own system, by supplying China with trade partnerships and large amounts of FDI.

Deng used the neighboring city-state of Singapore as the economic model for China's modernization. "In 1992, when Deng was trying to jumpstart reforms, he sent no fewer than four hundred separate Chinese delegations...to Singapore in a single year to marvel at what China would become if it modernized."⁸⁴ Singapore was and remains a thriving capitalist economy, ruled by a one-party system. Even today, Singapore continues to exude a strong reputation for its lack of freedoms and repressive government. In short, it was a smaller version of what China was to one day become. Deng imitated the Singaporean government's heavily planned and state controlled policies for economic development, which emphasized the construction of modern infrastructure to attract foreign investment.⁸⁵ Additionally, he implemented the same

⁸⁴ Meredith, Robyn. *The Elephant and the Dragon: The Rise of India and China and What it Means for All of Us*. New York: W. W. Norton & Company, 2007. P. 23

⁸⁵ Ibid 22

loose restrictions on business that would increase exports and dramatically raise the standards of living for the Chinese people.

In order to make ends meet, Deng adopted what became known as the “Open Door Policy”, which was intended to promote a favorable environment that would attract FDI and increase trade. China’s contemporary, thriving private sector, which currently attracts over \$500 billion in FDI, can trace its foundational origins to this early program.⁸⁶ Under this policy, Deng set up “special economic zones” (SEZ) that fostered a business environment attractive to foreign investors. SEZ regulations stipulated that the products of participating enterprises were to be primarily exports; investors were promised freedom in management of their enterprises; all raw materials and capital goods could be imported duty-free by participating enterprises; foreign enterprises received a tax holiday or paid taxes at rates lower than in other part of the country.⁸⁷ Moreover, one of the greatest advantages for foreign companies to move factories to these zones was the abundance of cheap labor provided by Chinese workers. The significantly lower wage scale generated greater capital returns as a result of increased productivity, without an increase in the price of labor. At first these zones were limited to the peripheral coastal areas across from Taiwan and Hong Kong. The purpose of this was twofold. First, it attracted investment from these wealthier neighbors. Second, it was a means of duplicating and innovating the effective production models that were flourishing in these provinces. Essentially, the SEZs were intended to ease the mainland’s transition towards capitalism by limiting them to the coastal regions.

⁸⁶ Hale, David, Hale, and Lyric Hughes. "China Takes Off." *Foreign Affairs* Nov./Dec. 2003 53(2003): inclusive [36-53]. P. 36-7

⁸⁷ Colin Mackerras, Pradeep Taneja, and Graham Young. *China Since 1978*. Melbourne: Longman, 1998. P. 88

Deng described the SEZs “as windows for technology, management, knowledge and foreign policy to better serve China’s modernization program.”⁸⁸ However, the tremendous success of the initial five SEZ’s caused the number of these zones to grow exponentially across China. By 1984, these economic zones spread to fourteen cities along the coastal region.⁸⁹ Limiting these zones to specific regions has the effect of greatly distorting the distribution of wealth, promoting drastic divisions in the standards of living across the mainland.

Ultimately, the combination of the low wage scales in China and the increasing level of its skills and technology is one of the greatest challenges which is now fueling the possibility for long-range competition with the U.S. It is, however, more so the result of globalization, than any intrinsic advantage China’s economic/industrial model holds over the United States in terms productive capacity. Instead, China’s edge results from demographic factors. The much larger population of China, at least 1.2 billion people compared to 300 million in the U.S., means that China has an abundant labor force at its disposal, thus the surplus of cheap labor allows its to keep production costs low. At first, when China limited itself to producing inexpensive low-value products such as toys, staples and other things, the U.S. found Chinese imports beneficial. It was helpful in maintaining low inflation rates. As China advances to higher value added products, however, such as automobiles, computers, aircraft and other items, the U.S is gradually starting to lose its productive edge. As a result, an increased rivalry is likely to develop. Given the high skill levels of the Chinese in such areas as mathematics and physics,

⁸⁸ Ibid 88

⁸⁹ Meisner, Maurice. *Mao’s China and After: A History of the People’s Republic*. 3rd editions; New York: The Free Press, 1999. P. 457

China is likely in the future to become a competitor in high-tech areas, such as the aircraft industry, that was once long dominated by the United States. Therefore, the increasing level of competition between China and the U.S. will largely be determined by which country continues to develop high technology so as to boost their productive edge. The United States, nevertheless, is confronted with the same challenges by India and other emerging economies. But, as it has been argued repeatedly throughout this thesis and will be further demonstrated in this chapter, by the sheer virtue of its size, its growing military capabilities, expanding diplomatic influence abroad, and purchasing power China is set apart from the others in respect to the challenges it presents to this country's preeminence. It has the effect of transforming what is generally considered a bilateral economic struggle into a global power struggle that will greatly mitigate the landscape of the current international system.

China's level of openness to the international community during this period of economic reforms is extremely impressive and historically unique. The United States was far more isolationist during its economic boom, implementing an array of protective tariffs to safeguard its domestic economy.⁹⁰ In China, however, the dramatic increase in FDI during the 1990's through the early years of the twenty first century cannot go unrecognized. In 1992 alone 8,500 new investment zones were created.⁹¹ It is now second to the United States in the level of foreign investments it receives. In 1992 following Deng's promotional southern tour of his SEZs, FDI tripled to \$11 billion, then

⁹⁰ Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006.

⁹¹ Colin Mackerras, Pradeep Taneja, and Graham Young. *China Since 1978*. Melbourne: Longman, 1998. P.90

tripling again to \$34 billion in 1994, and doubling to \$61 billion in 2004.⁹² In 2003, FDI accounted for roughly forty percent of China's overall GDP. Of China's vast reserves of FDI, American investment totaled \$70 billion worth in contracts in 2003, making the U.S. and its corporations China's largest foreign investor.⁹³

The large influx of foreign investment has been central to China's emergence as a major economic power because of its role in developing of the country's industry and infrastructure. In 1978, one third of China's industrial production capacity was financed by half a trillion dollars of foreign investment.⁹⁴ Moreover, instead of using its own reserves to develop the country's infrastructure and private sector, China uses the large sums of foreign investment at its disposal to fund its development projects.⁹⁵ Furthermore, foreign investment is responsible for boosting China's extraordinary export performance, which has, in turn, made China one of the world's largest trading partners. It has recently surpassed Japan.

Trade has been an integral part of China's superior economic performance in the past decade, as well as a flash point in its economic and political relationship with the U.S. It was central to Deng's economic reform strategy and is presently the principal force propelling China's annual growth rate of approximately 9.5%. Deng wanted to move away from the Maoist model of national self-sufficiency by exposing China to the

⁹² Hale, David, Hale, and Lyric Hughes. "China Takes Off." *Foreign Affairs* Nov./Dec. 2003 53(2003): inclusive [36-53]. P. 38, 39, 40

⁹³ Ibid 39

⁹⁴ Fishman, Ted C. *China Inc.: How the Rise of the Next Superpower Challenges America and the World*. New York: Scribner, 2006. P.15

⁹⁵ Ibid 15

benefits of participating in global trade.⁹⁶ The influx of foreign investment from the SEZs provided the means for large increases in China's export production and thus rapidly developed the nation's trading potential. Between 1990 and 2003, China's total exports grew eightfold to over \$380 billion.⁹⁷ Trade accounts for almost half of China's overall economy and it has far surpassed the growth of its domestic economy. It currently holds a trade-to-GDP ratio of 70%. In its relationship with the U.S, China's trading power is manifested in the current account deficit the U.S. holds with it. Essentially, the vast amount of liquidity at China's disposal from FDIs allows China to save its own reserves generated from the country's massive export industry. As noted above, China's reserves currently amount to approximately \$1.5 trillion and are still growing at rates between \$40 to \$50 billion per month. Beijing uses this newfound purchasing power to finance investments abroad as well as a growing level of import consumption. Ultimately, these reserves and the manner in which China uses them have become a source of China's expanding geopolitical influence in the international system.

Those who view China as a potential strategic and security rival, within the U.S., are disturbed by these figures for several reasons. First, the vast liquidity and reserves that China has derived from its export activities, with reserves growing at a level of at least \$200 to \$300 million per year, China may now be in a position to outspend the U.S. on almost any issue.⁹⁸ This is most worrisome in security matters, reflected in China's

⁹⁶ Bergsten, et al. *China: The Balance Sheet: What the World Needs to Know about the Emerging Superpower* (Washington, DC: Center for Strategic and International Studies and Institute for International Economics, 2006) p. 74

⁹⁷ Hale, David, Hale, and Lyric Hughes. "China Takes Off." *Foreign Affairs Nov./Dec. 2003* 53(2003): inclusive [36-53]. P. 36

⁹⁸ Hale, David, Hale, and Lyric Hughes. "China Takes Off." *Foreign Affairs Nov./Dec. 2003* 53(2003): inclusive [36-53]. P. 38

growing defense budget and resource competition, as China moves to seek closer ties with Venezuela, a critical supply line for U.S. oil imports. Second, when the massive trade deficit is set against China's reserves, it contributes to the perception that the U.S. is making itself too vulnerable to China by conceding its superior position. Thus, China's purchase of U.S. treasury bonds and its attempt to take over Unocal several years ago and its recent investment in several U.S. banks, such as Bear Stearns, and corporations have left many American officials uncomfortable, in spite of the fact that foreign investments have been a cornerstone of the U.S. financial system's success.⁹⁹ Third, many protectionist politicians argue that China is employing unfair mechanisms to boost its trading advantage, and indirectly its profits, in a manner that is harming critical sectors of U.S. industry, such as manufacturing. China, on the other hand, is well aware of these concerns. These disputes and accusations have left the Chinese highly suspicious of the United States' actions.

The exaggerated concerns over the possibility of a politically adversarial dynamic with China in the distant future is forcing these sentiments to spill over into areas of trade and commerce, even though it has nothing to do with these issues.¹⁰⁰ It has the effect of creating a dangerous environment in which commercial disputes can turn into matters of national security. This was precisely the case with CNOOC's (a state-owned Chinese oil

⁹⁹ Sender, Henry. "For Sovereign Funds, Silence may not Always be Golden". *The Financial Times*; Sec: Companies, Financial Services. January 18, 2008.

¹⁰⁰ Kyngé, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. 232

firm) failed bid for a stake in American oil firm Unocal.¹⁰¹ These issues are examined in the following section.

SEC. 2: THE SEPARATION OF HUMAN RIGHTS FROM TRADE AND COMMERCE

China's economic rise has greatly altered the dynamic of its relationship with the United States. In effect, it has brought greater attention to areas of competing and opposing interests. At the center of these escalating tensions is a tendency on the part of the U.S. to link political issues to matters that generally fall under the commercial realm of trade and investment. This trend is generally motivated by two additional factors to the ones cited in the previous section. The first is an increasing effort to use trade sanctions for the purpose of influencing other areas of Chinese government policy. It is representative of U.S. engagement policy. A unilateral mechanism is used to shape Chinese interests in ways that are conducive to those of the U.S. In the end, it is more successful in fueling Chinese resentment and xenophobia than having any substantial influence of domestic policy matters.

In the past, the most poignant example of this was in the area of human rights. Sanctions are still used as a coercive diplomatic stick. However, now they are being used to influence other policy in areas including trade and finance, as well as the sale of nuclear technology to rogue states such as Pakistan. Presently, the U.S. government is attempting to use sanctions as a means to influence the Communist leadership to revalue the Yuan. Even though these actions fall under what is considered disputes in the

¹⁰¹ This situation clearly illustrated how sensitive Congress and the American public are becoming towards what has been branded the "China Threat". In the summer of 2005, the Chinese oil firm CNOOC made a bid to takeover the American oil firm Unocal. Although Unocal wells accounted for only one percent of American oil consumption, Congress blocked the bid on the grounds that it was a threat to national security.

economic dialogue, they present unintended consequences for the political dialogue. For example, China's staunch opposition to President Bush's reception of the Dali Lama conveniently overlapped with Congress's passing of anti-dumping legislation. The second concern stems from a mounting consensus amongst many politicians in Washington that China will one day emerge as a future security rival. Such misguided perceptions have prompted Congress to turn questions of financial investments into matters of national security.¹⁰² The difficulty in formulating a rational and cohesive U.S.-China policy arises from the tension in separating economic and trade issues from security issues, human rights issues and purely domestic political issues.

Since 1979, disputes over human rights standards have been at the center of the two nations' diverging political views. Yet, the growing importance and benefits of trading with China challenged the traditional U.S. approach to this issue in the 1990's. When any liberal democratic power enters into an economic and political partnership with a repressive authoritarian regime it is inevitable that there will be conflicting opinions surrounding human rights standards. Although, China is now a market-based economy, it is formally still an authoritarian power. The economic reforms implemented have not translated into greater political freedom for Chinese citizens as many had predicted it would deliver. There exists, as a result, an ideological gap between the two powers concerning the primacy of democracy, the implementation of the rule of law, and basic civil rights and freedoms.

When confronted with any form of political dissent that may threaten their grip on power, the ruling elite in China systematically resort to the use of repressive tactics in

¹⁰² Ibid 232

order to silence any opposition. Among many of the party's blatant violations of civil rights and liberties, judicial conditions are the most corrupt. Trials are often politically motivated and, therefore, lack the openness that would ensure the deliverance of a just verdict. In 2005, the U.S. State Department reported that five hundred to six hundred civilians were imprisoned and charged with "counterrevolutionary activities" for nonviolent expressions of political views, which now is considered a violation of Chinese law.¹⁰³ In addition, Freedom House's 2007 report on Human Rights in China concluded that as many as 250,000 political prisoners lack trials altogether and were detained in government sponsored "re-education through labor camps".¹⁰⁴ Many of those who supported Beijing as the site to host the 2008 Olympics, in spite of protests from various human rights organizations, argued that it would motivate the Chinese government to improve the country's current human rights standards. The recent arrest of Hu Jia, however, a Beijing based human rights activist just months before the ceremony, proves that the government will continue to use whatever means necessary to silent dissent so as to present a unified nation to the world.¹⁰⁵ Beijing wants to present an orderly and stable society to the global community for the purpose of demonstrating that it is ready to assume a greater stake in global leadership, as well as attracting more investment.

Clearly, these practices run counter to the liberal democratic order the United States has been attempting to build across the globe since its emergence as a major power following World War II. In the past, particularly following the brutal repression of the

¹⁰³ Hills, Carla A. et al., "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007) P. 29

¹⁰⁴ Freedom House. 2005 Edition. *Freedom in the World: China (2005)*.

¹⁰⁵ Yardley, Jim. "China Accuses Online Activist of Subversion". *The New York Times*, Sec: Asia Pacific. February 1, 2008.

Tiananmen Square protesters in 1989, the U.S. attempted to link the issue of human rights to trade sanctions in an effort to “punish” the communist leadership’s abhorrent human rights actions. This policy tool was consistent with the U.S.’s style of engaging China. When China grossly violated international conduct, it was punished with sanctions, as it was in 1989. Such a dynamic is representative of most diplomatic exchanges between stronger and weaker states. This tendency, however, is exacerbated in the case of the United States. It results primarily from an unrelenting inclination on the part of this country’s leadership towards exercising its policy on a unilateral basis. Second, there seems to exist a “blind faith,” particularly on the part of our leaders, that there is some sort of intrinsic power advantage or benefit in a system of liberal democracy that boosts our leverage in exchanges with authoritarian states. It is respectfully submitted that this is one of the major flaws of American diplomacy because it appears to be based upon an exaggerated assumption regarding the power and scope of our influence. For example, some U.S. diplomatic strategists may be of the view that when China behaved according to international norms consistent with the standards set forth by the U.S. it has been further integrated into the international community. China’s ascension to the WTO in 2001 is often cited as an example of this practice.

Despite this point of view, China’s critical role in global trade is probably more responsible for its WTO membership than any reward for good behavior. What is important, however, is that a fair amount of U.S. policy recommendations, including the view of the U.S. State Department that an increasing adherence, on China’s part, to international norms as a result of engagement with the U.S., has been a driving force

behind China's integration into an array of multilateral international institutions.¹⁰⁶ In fact, the WTO fiasco under the Clinton Administration provides a strong counterargument to this example. In 1999, the terms of the WTO agreement set forth by the American delegation were extremely unbalanced. They were drafted in the favor of U.S. interest and greatly disadvantaged the industrial and agricultural sector in China. Many Chinese accused Premier Zhu Rongji of being a "national traitor", comparing him to the despised emperor Qing that had subjected China to a century of humiliation at the hands of Western imperialists in the nineteenth century.¹⁰⁷ Many leading members of the Communist Party argued against WTO membership on the terms stipulated by the U.S. in their attempts to "engage" China into the global community. Ultimately, it was China's growing economy and the necessity to stimulate further growth through the increased trade opportunities and expanded network of partners a WTO membership would provide that motivated it to join this organization. In this respect, China's engagement with the U.S. obstructed rather than encouraged integration.

For these reasons, it is the view of this thesis that such assumption about the U.S.'s influence distorts the level of power U.S. policy has over shaping Chinese behavior. Thus, when China starts to act contrary to U.S. interests, there is a miscalculated belief that somehow the U.S. can unilaterally correct its behavior. Perhaps in the past this may have been plausible. Yet, given the decline in U.S. authority in matters of this nature, there needs to be a greater incentive for the U.S. to cooperate with our allies and act multilaterally within set institutions if we are to successfully persuade

¹⁰⁶ U.S. Department of State. Bureau of East Asian and Pacific Affairs. Oct. 2007. *Background Note: China*.

¹⁰⁷ Shirk, Susan L. *China: Fragile Superpower*. New York: Oxford University Press, 2007. P. 23

Beijing to alter course on issues of human rights. Continuing to act unilaterally will only create more strife in this already tense relationship.

Ultimately, however, the attempt to link human rights to trade only created deeper strains than the ones this policy tactic was trying to correct. China considered the U.S. to be infringing upon its sovereignty. Since one of the central features of Chinese foreign policy has consistently been its refusal to impose sanctions in response to what it considers the “internal affairs” of states, China concluded the U.S. was infringing upon its sovereignty.¹⁰⁸ The diverging opinions over what constitutes “internal affairs” and when it is legitimate to intervene in those affairs, has been a major source of the ideological differences that have given rise to a majority of the disputes between China and the U.S. in their diplomatic relationship. The issues of human rights and trade sanctions collectively fall under this umbrella. Within Beijing, the idea of linking human rights to trade was perceived as a grand scheme of manipulation on the part the Western powers, particularly the U.S, as a pretext to control China’s domestic affairs. Additionally, since China’s leadership regards sustained economic growth to be the most vital of national interests, any measures, such as trade sanctions on Chinese imports to the U.S. are perceived as a direct challenge to the well being of the nation. In turn, such measures create greater strains in the political dialogue between China and the U.S. In this situation, Beijing perceives that it is being contained rather than engaged.

¹⁰⁸ Hills, Carla A. et al., “U.S.-China Relations: An Affirmative Agenda, A Responsible Course” Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007) Stable URL: <http://www.cfr.org/content/publications/attachments/ChinaTaskForce.pdf> (accessed March 9, 2008). p. 33

Invariably, the emergence of China as a major global trading partner in the 1990s rendered the use of trade sanctions an unsound policy choice for the U.S in its attempt to introduce a more acceptable level of human rights standards. The growing importance to the U.S. economy of trading with China, particularly the role of such trade in keeping inflation rates down, prompted President Clinton in 1994 to separate trade policy from the issue of human rights in the U.S.-China bilateral trade relationship.¹⁰⁹ Today, it would be highly unlikely that the U.S. government would step up diplomatic pressure on the Chinese government regarding human rights issues through use of trade sanctions. China is no longer a substantially weaker economic power. Moreover, the existing trade deficit between China and the U.S. inhibits the U.S.'s ability to step up its pressure on political issues, such as human rights, by relying upon sanctions. Furthermore, China's WTO membership makes it virtually impossible for the U.S. to impose such sanctions unilaterally. This is not to say, however, that the United States should abandon its efforts to encourage political reform that would allow for a more open society in China. Rather, it means that as U.S. economic power declines in relation to China's, we must formulate new mechanisms of engagement and integration that place a greater emphasis on multilateralism, as contrasted with the traditional unilateral route. Alternative policies for addressing the conflicts over human rights will be further explored in chapter four. In order better to understand the limitations on the level of "tough love" diplomacy that the United States successfully employs with China, it is helpful to take account of the massive trade deficit the U.S. has accumulated with China over the years.

¹⁰⁹ CATO Institute 2005. "57. Relations with China, pp. 577-585" *CATO Handbook for Congress: Policy Recommendations for the 108th Congress*. (Washington, D.C: CATO Institute.) P. 580

Currently, China's mounting trade surplus with the United States has become probably one of the most important issues in the bilateral relations between the two. It is a major point of contention in the strategic economic dialogue and trade summits. Since the 1980s, there has existed increasing trade surplus between China and the U.S. It continued to rise steadily throughout the 1990s. As the result of this mounting deficit, China is now the most important agent in sustaining the overall balance between the U.S. trade deficit and the inflow to the U.S. of foreign investment.¹¹⁰ Many officials are concerned that this leaves the U.S. in a subordinate position to China because of this increased dependence upon Chinese investment in the United States, especially the purchase of U.S. Treasury securities to provide the need for capital to fund the operations of the U.S. government. Thus, by way of example, in 2005, when "the U.S. bilateral trade deficit with China reached \$202 billion, accounting for a record 26 percent of the total U.S. global trade deficit of \$782 billion", China's growing trade surplus became a formidable source of tension in its trade relationship with the U.S.¹¹¹ There is a general consensus amongst economists that, in order to rectify the trade imbalance and prevent the margin from increasing, U.S. exports to China would have to grow approximately six-fold in comparison to its imports from China.¹¹² These statistics have led many in Congress to peg China as a mercantilist trader and the primary culprit behind the growing rate of unemployment in the U.S., especially in the manufacturing industry.

¹¹⁰ Bergsten, et al. *China: The Balance Sheet: What the World Needs to Know about the Emerging Superpower* (Washington, DC: Center for Strategic and International Studies and Institute for International Economics, 2006) p. 78

¹¹¹ Ibid

¹¹² Ibid

The U.S. Chamber of Commerce has accused China of employing an array of questionable tactics with the intention of artificially increasing its exports in order to maintain the current trade deficit, sustain its trade leverage over the U.S. and generate substantial annual addition to China's holding of foreign currency in its reserves.¹¹³ Of these, the most highly contested issues include the undervaluation of the Yuan, the Chinese currency, as well as the violation of intellectual property rights. Ultimately, the reason for this growing trade surplus and the challenges it presents to the U.S. economy, are complex and multidimensional. These are issues that extend far beyond the subject matter of this thesis. Nonetheless, what is relevant are new developments unfolding within the U.S. government that seek to address and resolve these outstanding issues concerning fair trading practices. Recently, a flood of new legislation has been introduced to Congress proposing higher barriers to Chinese exports and strong anti-dumping regulations.¹¹⁴ This trend suggests the U.S. is pursuing an alternative unilateral route to the current administrations' insistence on utilizing multilateral organizations, such as the WTO, to promote a more balanced dialogue concerning the existing trade disputes.

In the months leading up to the November presidential election, U.S. lawmakers have introduced various pieces of legislation that would impose tougher sanctions on China as a way of pressuring the government to reevaluate the currency and address other areas of outstanding trade disputes. It is from the Democratic side of the aisle that this effort has been most persistent. Both frontrunners for the Democratic presidential

¹¹³ Ziegler, Dominic. "Reaching for a Renaissance." *Special Report on China and its Region; The Economist*. March 31st-April 6th 2007, (after p. 58; Report Inclusive 3-18). P. 4

¹¹⁴ Andrews, Edmund L. "U.S. Warns China on Currency Policies and Hints at Retaliation". *The New York Times*. May 17, 2005.

nomination, Hillary Clinton and Barrack Obama, are endorsing this tougher approach toward China.¹¹⁵ With the possibility of a recession still at bay, the Democratic Party wants to prove it will be tough on economic issues. In this thesis, I take the position, that such measures would be deleterious not only to the economic health of the nation and its trade relationship with China, but also to the political relationship between China and the U.S. as well. Such measures will ultimately deteriorate the existing good will between China and the U.S. and contribute to growing levels of hostility between the two states. The language of this new legislation is dangerously protectionist and has the effect of sending mixed messages to China.

Christopher Padilla, the deputy undersecretary of commerce, recently remarked:

Such measures run the risk of inflating consumer prices at a time of economic uncertainty, bringing about trade retaliation that would stifle our exports, and setting back efforts to promote reform in China -- while doing nothing to reduce the bilateral trade deficit.¹¹⁶

The implementation of such legislation would advance the perception in China that the U.S. is attempting to contain its rise, creating an adversarial environment brooding mistrust, not only for economic but also diplomatic exchanges. Additionally, acting unilaterally on this issue may create greater problems for the U.S. beyond its relationship with China. In particular, it could create strains in the U.S. /E.U. trade relationship that would be very harmful to the economic stability of the U.S. Thus, the U.S. should collaborate more closely with the E.U. in seeking a solution to these issues. Moreover, because of the low wage scale in China and, on the other hand, the high level of technical capacity, Chinese manufacturing is likely, on a continuing basis, to undercut

¹¹⁵ AFP. *US LAWMAKERS SET STAGE FOR TRADE SANCTIONS ON CHINA*. February 4, 2008.

¹¹⁶ Ibid

manufacturing costs in the U.S. regardless of the exchange level between the Yuan and the dollar. Therefore, passing such legislation would do little to solve the problem at hand, while fueling sentiments of xenophobia and suspicion in Beijing that will get in the way of more pressing diplomatic disputes.

If the Democrats want to prove that they hold an alternative view to the Bush Administration on the potential threat posed by China, they must first represent that threat correctly. First of all, the increasing importance of the economy to constituents in this presidential election has little to do with the level of Chinese exports to this country. Rather, it has more to do with the ramifications of the subprime mortgage crisis precipitated by the greed and poor judgment of the major banks of Wall Street, as contrasted with to the exploitation of unfair trading practices by China. This style of overzealous corporate governance has plunged the United States into an economic crisis far greater than that caused by the terrorist attacks of 9/11.

Today, we live in a world where globalization is moving at a rapid pace and free trade is the *modus operandi*. Protectionism retards progress. Instead of instituting safeguards to level the playing field, this country needs to start investing more heavily in research and development to innovate and keep up. Competition in trade and industry is healthy. In the 1980s when the U.S. found itself engaged in a heavy competition with Japan, this competition had the effect of spurring industrial innovations and producing tremendous benefits. Frankly, this country has gone unchallenged for too long and the rate of technological and intellectual innovation has suffered as a result. The “China threat” is awakening a dormant industry in this country, in a way similar to the 1980’s “Japan threat”.

SEC. 3: RESOURCE WARS

The strong emphasis these stated pieces of legislation are placing on restricting China's exports to this country shows that the U.S. government is missing the point about the source of China's economic power.¹¹⁷ It is not the increased competition in the field of trade that is the real threat to the United States, but rather it is the growing competition for energy and other finite natural resources that is most worrisome in the long run. In this arena, the fact that China is gaining greater leverage over the U.S. comes not from its ability to sell, but rather is growing role as an important global consumer and investor at a time when U.S consumption is declining.¹¹⁸ Thus, in light of this information, the revaluation of the Yuan will do little to harness China's ability to outspend and out compete with the U.S. This outspending, for example, is most clearly reflected in Africa where the Export-Import Bank of China readily makes available huge, unrestricted funding for infrastructure projects. In return, it gives China the ability in large petroleum producing countries, such as Nigeria and Angola, to obtain large stakes in promising petroleum and natural gas projects.¹¹⁹ Therefore, this program of unrestricted imports from China helps to fund the country's growing economic clout in the world. Accordingly, the business of imports has become China's greatest diplomatic tool. China's growing level of consumption of natural resources, such as petroleum, natural

¹¹⁷ Ziegler, Dominic. "Reaching for a Renaissance." *Special Report on China and its Region; The Economist*. March 31st-April 6th 2007, (after p. 58; Report Inclusive 3-18). P.6

¹¹⁸ Ibid

¹¹⁹ Broadman, Harry G. "China and India Go to Africa: New Deals in the Developing World". *Foreign Affairs* March/ April 2008; Vol. 87, Is. 2 (2008) [inclusive online p. 1-4].

gas, iron ore, copper and similar items, has made other countries dependent on it for investment.

This is at the root of China's growing geopolitical influence abroad. Furthermore, it has been advantageous in the race to secure energy supply lines. Presently, China and the U.S. have not yet entered into a fierce competition for natural resources. More specifically, neither one has tapped into the supply lines of the other. Nevertheless, the increased demand, compared with the relative supply of these finite resources, especially in regards to oil, has contributed to the perception that the emergence of a strategic competition between the two is highly probable in the near future. Moreover, the increased demand of China and India for natural resources and other commodities has substantially increased the cost of these items. When taken together with China's military development, it is this fact that motivates realists and conservative hawks to conclude that China, much in the same way that the former Soviet Union did during the Cold War, will inevitably emerge as a security rival to the United States.¹²⁰ Ultimately, the world cannot satisfy the appetite of both China and the U.S. at the current rate they are growing. These are issues that can be resolved only through the adoption of clear and innovative policies, the development of new technologies, including the greater use of hydrogen based power, rather than protectionist policies and "cheek to jowl" competition for natural resources. Such solutions are discussed in the following chapter.

Beijing's program for modernization and economic growth has not come cheap. These developments are responsible for transforming China into the world's second

largest importer of oil after the United States, with the most rapid growth in demand.¹²¹ Its need for other finite resources such as aluminum, nickel, copper, and iron ore have risen from seven percent of world demand in 1990 to a forecast of forty percent by 2010.¹²² The legitimacy of the Chinese Communist Party, and its ability to preserve its power, depends on sustaining an annual growth rate of nearly ten percent, which creates about twenty four million new jobs each year.¹²³ As a result, the pursuit for energy and resources to maintain the current levels of economic growth is now a driving force behind China's foreign policy.

During an era of international relations that has been branded "the geopolitics of scarcity", Beijing's relentless quest to satisfy China's insatiable appetite for energy is likely to draw it directly into strategic and diplomatic conflicts with the United States unless technological development can be harnessed to provide, new, plentiful sources of energy.¹²⁴ The distortion between the growing demand for oil in relation to its limited supply is creating a debilitating impact on the balance of power within the international system. In relation to the diplomatic issues I address in this thesis, namely, those concerning nuclear proliferation and military intervention in the internal affairs of sovereign states, China's necessity to secure petroleum supply lines is at the center of these disputes. Beijing's need to gain access to increasing amounts of energy has a tendency to inhibit its willingness to collaborate with the international community when

¹²¹ Romero, Simon. "China Emerging as U.S. Rival for Canada's Oil". *The New York Times*. December 23, 2004.

¹²² Kynge, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. P. 22

¹²³ Brzezinski, Zbigniew; Mearsheimer, John J. "Debate: Clash of the Titans". *Foreign Policy* Jan/Feb 2005; Is. 146. (2005): inclusive [46-50]. P. 46

¹²⁴ Kynge, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. P. 266-7

its interest, namely, when its energy supply lines run the risk of being comprised.¹²⁵

Beijing has sought to fortify ties with suppliers that have been diplomatically isolated by Washington. Of these, China's relationships with Iran and Sudan are the most notable because of the diplomatic power struggle they have inspired between China and the U.S. in the international forum of the United Nations.

Nuclear Proliferation: Iran

Iran and the United States have been locked in a ferocious battle for regional dominance in the Middle East for years. The latest manifestation of this power struggle is the contentious debate surrounding the purpose and future of Iran's uranium enrichment program. Since 2006, the United States, joined by Britain and France, has strongly argued that the purpose of Iran's uranium enrichment program is to develop nuclear weapons. In a period when tensions between the United States and Iran seem to have peaked, combined with President Ahmadinejad's incessant inflammatory remarks concerning the future of Israel, makes the prospect of Iran obtaining such technology worrisome to many American and Western officials. However, the Iranian government continues to maintain that its nuclear program is for peaceful civilian purposes.

Enlisting China's support in confronting the nuclear proliferation threat posed by Iran is a far greater challenge for U.S. diplomats than in the case of North Korea. Working to dismantle North Korea's nuclear program was directly in China's interest. Yet in the case of Iran, for China's leadership, it appears that the costs of confronting Iran on this issue would outweigh any benefits. China's international behavior has not yet proved that it is willing to sacrifice its own interests for a cause from which it does not

¹²⁵ Meredith, Robyn. *The Elephant and the Dragon: The Rise of India and China and What it Means for All of Us*. New York: W.W. Norton & Company, 2007. P. 166

derive economic benefit. What is more to the point is that the strategic ties between China and Iran date back to the days of the Silk Road. In regards to trade, and access to resources, there has been a long and solid foundation between the two states. Thus, Beijing does not share Washington's disdain for the Iranian government. Additionally, while China does oppose Iran's development of nuclear weapons, it is not necessarily convinced that the program for uranium enrichment was created for this purpose. China, in collaboration with Russia, has used its veto in the U.N. Security Council to block efforts that would bring Iran's nuclear program under the U.S. inspection regime.

Yet, the greatest factor obstructing China's cooperation is its dependence on Iranian oil. In 2003, 13% of China's oil imports came from Iran.¹²⁶ Over the past four years, China's oil procurement ties with Iran have been growing at stunning rates. In 2004, Sinopec, the state-owned Chinese Petrochemical Corporation, signed a \$70 billion, thirty-year deal to buy liquefied natural gas from Iran.¹²⁷ This arrangement brought China's total deals for Iranian petroleum to approximately \$100 billion. On December 11, 2007, this deal was augmented when Sinopec committed another \$2 billion to develop the Yadavaran oil field in Iran. This latter agreement followed through on a prior provision that had been set forth in the 2004 deal. In four years, the field will develop 85,000 barrels of oil a day, with an additional 100,000 barrels a day in another three years.¹²⁸ This latest agreement was signed shortly after the CIA released a report, citing that it may have miscalculated Iran's nuclear capabilities and intentions. Prior to the declassification of this report, China was on the brink of supporting the imposition of tougher sanctions

¹²⁶ Ibid 165

¹²⁷ Ibid

¹²⁸ Bloomberg News. "China: An Oil Deal With Iran". *The New York Times*; Sec: World Business. December 11, 2007.

on Iran, which it had continuously resisted within the U.N. Securing closer cooperation with China on this issue now will be a tremendous burden for the next administration given China's growing demand for oil supplies and its increasing diplomatic ties with Tehran. It is likely to be a formidable source of tension in the future course of U.S.-Chinese diplomatic relations.

The Debate over Military intervention in the sovereign affairs of states → Sudan

Since 1997 the U.S. has implemented a policy forbidding American corporations from engaging in any business operations in Sudan as a consequence of the bloody war between the Muslim government in Khartoum and the Christian rebels in the south.¹²⁹ Shortly after 1997, China moved in to fill the economic vacuum in Chad left by the United States, thereby giving China access to the vast amount of Sudanese petroleum reserves to satisfy its increasing energy demands. Sixty percent of Sudan's oil is exported to China.¹³⁰ In return, China has supplied the Sudanese government with weapons and financed the construction of arms factories. As a result of its close ties with Sudan's government, China has come under harsh international criticism for these actions. China has been accused of essentially underwriting the genocide in Darfur that has left at least 300,000 dead. When China's ambassador to Washington, Zhou Wenzhong, was asked to respond to these allegations, he said: "Business is Business. We try to separate politics

¹²⁹ Kyngé, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. P. 228

¹³⁰ Fishman, Ted C. *China Inc.: How the Rise of the Next Superpower Challenges America and the World*. New York: Scribner, 2006. P. 291

from business, and in any case the internal position of Sudan is an internal affair, and we are not in a position to influence them.”¹³¹

Within the U.N. Security Council, China, joined by Russia, has repeatedly blocked any measures that would adopt tougher measures to stop the genocide. While China’s reluctance to interfere in the “internal affairs” of Sudan is consistent with the five principles of its foreign policy, in this respect, it is more motivated by its demand for oil than other considerations. To a lesser extent, Beijing fears that interfering in these events may bring greater scrutiny on its own domestic abuses and violations of human rights.

These two cases, of Iran and Sudan, contribute to a growing consensus in Washington that China is developing a foreign policy that is actively hostile to human rights and international law, a combination that, on the surface, seems incongruent with U.S. foreign policy.¹³² Meanwhile, in China, the leadership refutes these attacks on the grounds that the United States is just as guilty of choosing which international laws to obey and which it can rightfully ignore. The 2003 invasion of Iraq is often invoked, as well as the gross abuses of power at Abu Ghraib and Guantanamo Bay.

The declining international power of the U.S. means it no longer in a position to impose standards it will not follow itself. More importantly, when considering the scope of these conflicts, it is critical to keep in mind that workable solutions to these disputes do exist. Chinese foreign policy is largely motivated by the pragmatic necessity for petroleum as opposed to some deep-seated ideological conviction in regard to these issues. In fact, China has recently adopted a tougher stance towards the government of

¹³¹ Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006. P.227

¹³² Ibid

Sudan, which suggests that it may be altering course on this issue and responding to pressures by the international community.¹³³ This new development is given greater attention in the chapter that follows. Additionally, while the idea may be morally abhorrent, the U.S., in fact, benefits from China's engagement with these pariah states. It is China's willingness to deal with not only Iran and Sudan, but other states like Uzbekistan and Angola that help obstruct the possibility for direct confrontation with the U.S. In a certain way, it can be said that China's access to these alternatives keep it from impeding on the supply lines that are vital to the U.S. interest, thereby preventing the occurrence of a strategic competition similar to the one between the U.S. and the former Soviet Union during the Cold War. Therefore, U.S. policy makers find themselves in somewhat of a "catch-22" situation as regards China's sourcing of petroleum from Iran and Sudan. Pushing China to take a tougher position on these issues with the governments of Iran and Sudan may alienate them from these supply lines, in turn forcing Beijing to seek closer ties with petroleum producing governments that are considered U.S. suppliers.

Beginnings of a Strategic Rivalry in Latin America?

Yet, there are those who argue, however, that this scenario is already beginning to out in Latin America. China's increasing ties with the government of Hugo Chavez in Venezuela is seen as a potential source of conflict with the U.S. in this respect. Despite the fact that diplomatic relations between the U.S. and Venezuela have deteriorated significantly since Mr. Chavez's ascendance to power, Caracas remains an important oil

¹³³ Polgreen, Lydia. "China, in New Role, Presses Sudan on Darfur". *The New York Times*, Sec: Africa. February 23, 2008.

supplier to the U.S. It supplies the U.S. with about three million barrels a day.¹³⁴ In light of the growing demand for oil, Mr. Chavez has attempted to boost Venezuela's international power by expanding the country's client base. It provides him with greater diplomatic leverage over the U.S. By opening the country to new investors, he can effectively threaten to redirect the critical supply to the U.S. if the U.S. government should attempt to interfere with Mr. Chavez's tight grip on power. Playing off the perceived power struggle between China and the U.S., Mr. Chavez has most actively sought to attract Chinese investment to Venezuela's oil industry. On a visit to Beijing in 2004, in his provocative manner, Mr. Chavez remarked "how he wanted to put Venezuelan oil at the disposal of the great Chinese fatherland after 100 years of American domination."¹³⁵ Shortly thereafter in 2005, he signed an agreement with the Chinese government that would allow for \$3 billion of Chinese investments in Venezuela's oil industry. The possibility of a strategic partnership between China and Venezuela is disconcerting to U.S. policymakers because satisfying China's demands may result in limiting supplies to the U.S. However, it would also be an exaggeration to cite this example as China's attempt to move into an important area of the United States' sphere of interest.

It is critical to understand that the countries of South America are developing nations. While their growth may not garner as much attention as China, they too must find ways to finance programs for economic and industrial development. From this point of view, China is then more of a supplementary investor than a rival. But given the

¹³⁴ Ibid 227

¹³⁵ Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006. P. 225

anxieties in the U.S. surrounding the rise of China, coupled with the tendency of the U.S. to adopt an offensive position in matters of this type, it is unlikely that the U.S. government would adopt such a rational interpretation. Thus, China will most likely be viewed as a competitor as opposed to a partner in Latin America.

The solution to such complex problems can be relatively simple. However, neither China nor the U.S. seemed committed to pursuing such a route. For example, it is undeniable that a more effective energy policy would correct many of the diplomatic grievances existing between China and the U.S. regarding the disputes over nuclear proliferation and military intervention in Sudan. Additionally, it would limit the ability of rogue petroleum producing states from exploiting the international balance of power to boost their own national interests and global authority.

In the end, working to develop more sustainable energy policies could potentially be the most viable departure point for collaboration between the U.S. and China. Neither country is benefiting from soaring oil prices and the potential rivalry that is likely to develop as a result of the combination of: (i) higher price petroleum; (ii) increased demand; and (iii) limited and finite supplies of petroleum. For realists, it is this potential strategic rivalry over resources that could precipitate the possibility of a security rivalry between China and the United States. China's implementation of these aggressive policies in its pursuit of these resources, coupled with its expanding military capabilities contributes to the advancement of this perception of China as a future belligerent.

SEC. 4: SECURITY CHALLENGES: TAIWAN AND CHINA'S MILITARY DEVELOPMENT

It is clear that China's growing economic clout is rivaling that of the United States in such a way that its effects are not solely confined to the boundaries of this bilateral

relationship. In the previous section it was demonstrated that Beijing now has “soft power” and a strong diplomatic influence extending far beyond its own regional peripheries.¹³⁶ Thus, regardless of the pervasive domestic ailments that may prevent China from reaching a “superpower” status, it is emerging as a formidable force in the international system. Just as President Nixon so accurately predicted in 1972, no stable international order can be sustained without its collaboration. In this regard, China has the effect of challenging the conventional distribution of power within the current system that greatly favors the position of the United States.

According to structural realism, these realities indicate that a security conflict between the U.S. and China may be inevitable.¹³⁷ Realists and neoconservatives cite the considerable military build up within the ranks of the People’s Liberation Army (PLA) as evidentiary support for this theoretical claim. This fact is, in addition, one of the biggest elements fueling mounting concerns over the potential security threat China poses to the United States.

Although China’s leadership has persistently claimed it seeks to preserve the character of its “peaceful rise”, at face glance, the statistics of its growing defense budget seem overwhelmingly to support the image of China as a rival of the U.S. as contrasted with a partner in security matters. China’s military budget has been growing at double-digit rates for years with some figures indicating as much as an 18% rise for 2008.¹³⁸

What is troubling is not necessarily the expansion of China’s military, but that, as its

¹³⁶ Hale 36

¹³⁷ Mearsheimer 47

¹³⁸ Ziegler, Dominic. "Reaching for a Renaissance." *Special Report on China and its Region; The Economist*. March 31st-April 6th 2007, (after p. 58; Report Inclusive 3-18). P. 6

power increases, the PLA remains extremely elusive about the extent of its capabilities. This tendency is consistent with the country's overall approach to foreign policy. The Communist leadership remains ambiguous about China's national objectives, presenting them in the form of cryptic slogans as contrasted with a clearly defined set of national security goals. Since the 1980's the guiding principle behind the country's foreign policy has been, "to preserve China's independence, sovereignty and territorial integrity, [and to] create a favorable international environment for China's reform and opening up and modernization."¹³⁹ While these goals reflect the current pattern of China's international behavior, especially within its own region, they leave many questions about its future intentions, particularly with regard to the political status of Taiwan, unanswered.

The question of Taiwan, above all other security concerns, is most central to the stability of U.S.-China diplomatic relations. Currently, it is the only security mission posing a realistic threat for a potential military conflict between the two states because of the U.S.'s security obligation to the island set forth by the Taiwan Relations Act. China remains in stern opposition of the U.S.' sale of weapons to Taiwan. Chapter two explained the origins of this conflict in great detail length. Today, while much of Beijing's foreign policy is guided by pragmatism, the issue of Taiwan remains one based virtually entirely upon ideological motivations.¹⁴⁰ In part, this results from the perception that Taiwan's continued separation from the mainland is a lasting reminder of China's "century of humiliation".¹⁴¹ With the disintegration of Communism's ideological appeal,

¹³⁹ Bergsten, et al. *China: The Balance Sheet: What the World Needs to Know about the Emerging Superpower* (Washington, DC: Center for Strategic and International Studies and Institute for International Economics, 2006) p. 119

¹⁴⁰ Ibid

the party's ability to return the territories of Hong Kong and Macao to the mainland in many ways legitimized the authority of the Communist regime by reversing this historic "sentiment of humiliation." Yet, the inability to reintegrate the government of Taipei remains a constant reminder of the Communist party's shortcomings. The Communist leadership, as a result, continues to view the capitalist democratic government of Taiwan as a threat to its hold on power. As China's economic success continues to deliver greater opportunities for social mobility, the government in Taipei presents itself as model for political dissidents on the mainland. As a thriving pluralist state, it is an attractive alternative to the current system of authoritarian rule in China, void of political freedoms. Beijing's persistent demand for "One China" is, therefore, used as a nationalist rallying point to unify the country behind the party's rule.

Internationally, Beijing continues diplomatically to isolate Taiwan. It uses its tremendous purchasing power to advance this aim. In 2005, at the UN General Assembly, President Hu Jintao offered debt forgiveness and duty-free entry to exports from the world's poorest countries, with the exception of those who recognized the government of Taipei.¹⁴² Since 1979, China's official policy has called for a "peaceful reunification" under the concept of the "One Country, Two systems" formula outlined in chapter two. However, in March 2005, the Chinese government passed the "Anti-Secession Law". It was for the purpose of codifying both China's peaceful unification policy but also its willingness to implement "non-peaceful means and other necessary measures" to prevent the possibility of an indefinite separation.¹⁴³ Ultimately, the unstated intention of this law

¹⁴² Ibid 120

¹⁴³ Ibid 120

was to remind Taiwan that any claim for statehood would be interpreted as a declaration of secession, in which case Beijing reserves the right to exercise military force.

Taken against the backdrop of this information, China's military build up, especially along the strait, has many within the security apparatus of the U.S. government concerned that China is preparing for an invasion of Taiwan. The Pentagon estimates that China has significantly increased "the number, reliability, and accuracy of its ballistic missiles deployed across from Taiwan to roughly eight hundred, with about one hundred new missiles deployed a year."¹⁴⁴ Based on these figures, many military analysts have concluded that the balance of military power has tilted in China's favor on the issue of Taiwan. It is the vast size of such a deployment that reaffirms this belief. A mobilization of this size would allow Beijing to disable the government in Taipei, disrupt communications and coerce Taiwan into some sort of negotiations before the U.S. Navy even had time to intervene.¹⁴⁵

Conflict over Taiwan, however, is not inevitable. Furthermore, the likelihood of a Chinese attack in the foreseeable future is limited. Beijing has sought to develop strong economic ties with the government of Taiwan so as to provide a greater incentive to integrate with the mainland, much the same way the E.U. does with possible candidates for membership. Furthermore, the defeat of the nationalist party in Taiwan's recent elections provides a brighter prospect for closer collaboration that could one day lead to a

¹⁴⁴ Hills, Carla A. et al., "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007) Stable URL: <http://www.cfr.org/content/publications/attachments/ChinaTaskForce.pdf> (accessed March 9, 2008). P. 50

¹⁴⁵ Kyngé, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. P. 234

peaceful reunification with the mainland. These developments are discussed at great lengths in the following chapter. What is rather disconcerting, however, is that in the past, the divergent opinions over Taiwan did not have the effect of triggering such inimical perceptions of one another in diplomatic exchanges between China and the U.S.

This new trend regarding the diverging opinions over Taiwan is indicative of the perception within prominent U.S. government and military circles that China is trying to replace the U.S. as the dominant power in the Asian-Pacific region, a position the U.S. has held since the Korean War. Even though China has not yet fully emerged as a “peer competitor”, and there is no guarantee that it even will, the United States has already embarked on a path to contain that possibility.

This strategy is dangerous because it has the effect of creating tensions and fostering a hostile environment during a time of peace. In the past and present, the United States has demonstrated that it does not tolerate challenges to its regional dominance and has consistently acted unilaterally to preserve its power.¹⁴⁶ On a grand scale, this was clearly illustrated during the Cold War conflict. Presently, and to a lesser extent, the United States is engaged in a similar power struggle with Iran to maintain its post in the Middle East.

Now, there are early warning signs that the same scenario is playing out with China. When the U.S. moved to sign a bilateral military agreement with India, outside of the legal and institutional scope of the multilaterally organizations created to oversee such arrangements, concerns started to mount in Beijing over the possibility of

¹⁴⁶ Brzezinski, Zbigniew; Mearsheimer, John J. “Debate: Clash of the Titans”. *Foreign Policy*; Jan/Feb 2005 146; Global p. 47

encirclement. Thus, the United States is equally guilty of the duplicity it accuses Beijing of in terms of security matters.

This fact, combined with the mounting support for trade barriers against Chinese exports in Congress, contributes to the perception in China that, while the U.S. preaches engagement, it is clandestinely pursuing a policy of containment. From this viewpoint, China believes it must take measures to protect itself in the event of a conflict with the U.S. over Taiwan. China's sizeable military build-up is one example.

Consequently, while the U.S. believes it is protecting itself against a future adversary, its actions are ultimately self-defeating. The U.S.'s insistence to act unilaterally on these security matters, instead of pushing for greater transparency on China's military capabilities within the apparatus of the multilateral institutions of which China is a member (such as the Shanghai Cooperation Organization and the ASEAN Regional Forum), has the effect of deepening Chinese concerns of xenophobia and nationalism within Beijing that are becoming increasingly anti-American. By this, I am not arguing that the United States should ignore the sizeable build up of China's military and its implications for future security relations. Rather, in order to maintain the stability and peace of the Asian-Pacific, a generally volatile region, this thesis suggests the U.S. should go about defusing this issue in a way that does not cater to China's historic fear of encirclement by Western powers and its neighbors. In chapter two, it was demonstrated that Nixon and Kissinger were able to pacify similar anxieties in respect to closer collaboration between the U.S. and the former U.S.S.R. by exchanging critical military intelligence with Beijing to promote an atmosphere of trust. I will discuss viable

approaches to implementing alternative strategies in the present relationship in the next chapter.

SEC. 5: ARE RIVALRY AND CONFLICT INEVITABLE?

This chapter has shown that the problems confronting U.S.-China relations cannot be categorized separately into economic and political issues. The picture must look to a whole series of other more critical issues, such as the increased competition and the effect it has on the price of energy, particularly petroleum and natural gas. These realities in turn, inspire diplomatic conflicts over areas, such as nuclear proliferation and military intervention, in which the political differences between the two states are deepened by their unyielding demand for energy supplies. Ultimately, none of these disputes mean that a security conflict between China and the U.S. is inevitable, or that it is even a possibility. Rather, it is indicative of growing strains and mutual suspicions that have the potential of creating an atmosphere of mistrust for future diplomatic exchanges.

While these developments are relatively new and it is entirely too soon to brand them a pattern in U.S.-China relations, they are early warning signs that should not be overlooked. It is insufficient for the current administration to rely on China's participation in the free market system to alter its behavior in a way that is more conducive with international norms. Yet, this alone will inevitably fail to produce a more amicable atmosphere for this relationship. This reality results from the most fundamental limitation inhibiting the integrating power of the free market system: while "trade increases the mutual economic dependence of the countries that engage in it, trade does

not make the peoples of those nations any fonder of one another.”¹⁴⁷ Therefore, the United States must actively seek to *construct* a more acceptable forum for diplomatic exchanges with China that emphasizes multilateralism and, when possible, collaboration instead of unilateral policies and increased competition. Of course, such actions will not always be feasible. However, if the latter approach is adopted, when collaboration is not possible, relations will not dramatically deteriorate because of inconsequential disputes over minor commercial matters as they have recently.

CHAPTER 4:

Grounding the Rise of China and Policy Recommendations for Improving U.S.-China Relations

¹⁴⁷ Kyngé, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. P. 236

This chapter provides a critical analysis of alternative policy solutions aimed to reduce the levels of escalating tensions between China and the U.S. Generally speaking, this thesis agrees with existing studies recommending that the U.S. should seek to limit the potential for future conflict with China by emphasizing both: (i) our mutual interests; and (ii) the necessity for collaboration. At the same time, in the face of an obvious and increased level of competition with China, these policies must be formulated in a manner that incorporates strategies to safeguard U.S. interests in light of China's growing economic, diplomatic, and military power. In the international system, this type of competitive dynamic between a "rising challenger state", China, and the existing "great power", the United States, is natural. At the moment, it remains unclear whether this type of ensuing competition between the two powers will give way to a direct security conflict or Cold War type strategic rivalry. Some observers have argued that this level of increased competition is an early manifestation of the type of power transitions that have the capacity to restructure the international order.

Traditional realist theory indicates that, when this type of transitional dynamic emerges, namely one that heralds profound shifts in the global distribution of power among states, it is marked by periods of war and instability.¹⁴⁸ Proponents of this theory maintain that competition between states gives way to conflict and rivalry because the "rising challenger state" wants to enhance its newfound geopolitical power to restructure the existing system in a way that better serves its own self-interests. Naturally, the existing power views the rising power as a direct threat to its predominance and relative

¹⁴⁸ Ikenberry, G. John. "The Rise of China and the Future of the West; Can the Liberal System Survive?" *Foreign Affairs Jan/Feb 2008* 87. 1 (2008), p. 23 (1-5 online), p. 1-2

security. As the rising states' power increases relative to the declining position of the existing state, the possibility of war is enhanced resulting from the increased level of insecurity and mistrust amongst states. In a "unipolar" world order, such as the one today, the possibility of war or strategic rivalry amongst powers during a transitional period is exacerbated. The dominant states' monopoly on power increases the likelihood that it will interpret a rising states behavior in a more threatening and adversarial light.

According to his theory of offensive realism, John Mearsheimer argues that in this type of system a security conflict between China and the U.S. is inevitable because a great power, such as the U.S., "that has a marked power advantage over its rivals is likely to behave more aggressively because it has the capability as well as the incentive to do so."¹⁴⁹ This thesis opposes his view and argues that a security conflict between China and the U.S. is *not* inevitable. In this chapter, I seek to demonstrate why and how the U.S.'s response to China's rise can override the predisposition of the international system to foster turbulence and conflict in similar circumstances.

The first step in preparing such a response will require U.S. policy makers to measure any potential challenges China's rise presents to the United States and the existing status quo of the international system against the forces limiting the scope of China's international power. Presenting a more balanced and realistic image of China will help to reduce the possibility of those types of misperceptions responsible for precipitating conflict between states. Sound policies are based on reality, not the perception of reality. The first section of this chapter outlines the forces inhibiting China's emergence as a future belligerent. The analysis offers support for the alternative

¹⁴⁹ Mearsheimer, John J.. *The Tragedy of Great Power Politics*. New York: Norton, 2001. P. 26

view: in many ways China is meeting the Bush Administration's demand that it become a "responsible stakeholder" in the international system.¹⁵⁰ In this chapter, I maintain there are both internal and external factors limiting adventurism in Chinese foreign policy. By nature, however, these factors are extremely complex and diverse. Consequently, in order to provide a more cohesive analysis of the elements limiting China's aggressive behavior and minimizing the risk of a security conflict with this U.S. in the near future, this chapter limits its focus to the growing levels of social unrest within the country as well as the economic interdependence existing between China, the United States, and the international community.

Based on the evidence provided, I maintain that an outright security conflict between China and the U.S. in the near future is highly unlikely. However, given the heightened competition for natural resources and China's growing influence its region, the conclusion is expressed that the same level of confidence cannot be reached when determining or predicting the prospects for a potential strategic rivalry between the two powers. While the realities of globalization make a Cold War type of rivalry unlikely, the U.S.'s response, if miscalculated, and Chinese enormous size combined would be powerful enough to reverse this trend. In the event that either power reaches the conclusion that the other constitutes a national security threat, both China and the U.S. share certain characteristics allowing them to advance their relative security position vis-à-vis one another in ways that could pose negative consequences for the stability of the international order. In this respect, their massive economies allow them to "calculate their spheres of military, diplomatic, and economic influence. Each may be are prepared to use

military power to achieve national ends.”¹⁵¹ Each country holds a historical conviction that its preeminent position in the world is preordained by destiny and serves as a mandate to strive for or protect this end.¹⁵² Such qualities provide both China and the U.S. the ability to fragment the existing order into spheres of competing interests, that might give rise to the same type of violence and stability intrinsic to the power politics of nineteenth century Europe and the Cold War in spite of the intricate interdependencies facilitated by globalization. Although these traits make the present competition between China and the U.S. more susceptible to this type of strategic rivalry, they by no means make such a possibility inevitable. It is, however, a “slippery slope.” Therefore, U.S. policy makers need to formulate and develop policies based on a realistic analysis of China’s objectives that narrows the room for misperceptions in order to prevent the current level of natural and necessary competition from “snowballing” into this type of destabilizing rivalry. The concluding section of this chapter is a critical analysis of existing policy recommendations seeking to enhance the positive nature and mutual goodwill of U.S.-China relations.

SEC. 1: GROUNDING THE RISING CHINA

Domestic Constraints on China’s behavior

The mainstream media is culpable of grossly exaggerating China’s capabilities in relation to those of the United States. Such a distorted representation of China’s economic success does not take into consideration the multitude of challenges that

¹⁵¹ Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006. P. 5

¹⁵² In this, I am referring to the concepts of Manifest Destiny for the U.S. and the idea of the Mandate from Heaven for China that both articulate this idea.

threaten to offset its current course. Thus, when Americans read about China's \$1 trillion dollar economy, many mistakenly, but nonetheless erroneously, overlook the fact that China is still a developing nation. Therefore, in spite of its economic achievements, China faces the same domestic obstacles that confront any state undergoing a rigorous program of economic reform and development. Any sound assessment of the potential threat posed by China to the U.S. requires one to consider these basic realities.

In the course of the research for this thesis, I found that, virtually all of the mainstream publications (the major sources for informing American public opinion) in their discussions of the rise of China, invariably note that, provided China sustains its current level of economic growth, it will eventually surpass the United States as the world's largest economy. In a number of respects, such conclusions fail to note certain important qualifications. Many of these articles neglected to mention that, if China does, in fact, manage to preserve its current levels of growth, surpassing the U.S. as the world's largest economy is not likely to occur until 2035.¹⁵³ Recent events, however, have clouded the accuracy of this estimate from several conflicting standpoints. On the one hand, since this prediction was made prior to the damage inflicted by the subprime mortgage fiasco on the U.S. economy, it presupposes the U.S.'s ability to recover from what has been branded the worse economic crisis in American History since the Great Depression. Yet, a relative decline in the U.S.'s economic position does not necessarily translate into increased power for China. There are other variables that complicate the equation.

¹⁵³ Bergsten, C. Fred et al., *China: The Balance Sheet: What the World Needs to Know about the Emerging Superpower* (Washington, DC; Center for Strategic and International Studies and International Economics, 2006), p. 19

It is too early to determine with certainty China's future direction. It is important to note that in spite of its economic success, China is still undergoing a process of economic reform; the full conversion to capitalism remains incomplete. This fact presents China's leadership with many internal obstacles. Still, the prospect that China will become the world's largest economy is daunting for many observers. Such apprehensions are based on concerns that, as China's capabilities increase it will seek to restructure the rules of the current system to its advantage.

These concerns, while valid, are somewhat misguided for two reasons. First, even if China did manage to surpass the U.S. economically, per capita income within the U.S. would still be four times that of China.¹⁵⁴ As a result, "China would then be the poorest "superpower" in world history."¹⁵⁵ It would not have the same type of consumer power generated from the U.S.'s domestic markets. Thus, any shock to China's domestic market would have severe ramifications for the economic health of the nation. The recent effects of the credit crisis have illustrated this clearly. Beijing is now taking measures to boost its domestic economy to insulate itself from another further shocks from the international markets.¹⁵⁶ A second reason to consider, when processing the implications of China's ability to become the world's largest economy is that this ability is conditional. China would become the world's largest economy only *if* it maintains its current growth rate of 9.5%. In the years to come, this will present China's leadership with enormous

¹⁵⁴ Ibid 19

¹⁵⁵ Ibid 19

¹⁵⁶ Batson, Andrew. "China Sharpens its Attention on Domestic Economy". *The Wall Street Journal*; Sec: Credit Crunch. January 24, 2008.

challenges. Currently, every \$1 of GDP generated requires China to use three times more energy than the global average and four times more energy than the U.S.¹⁵⁷

When faced with soaring oil prices and the heightened competition for finite energy resources outlined in the previous chapter, it will become increasingly difficult for China to maintain the “peaceful” character of its rise while simultaneously attempting to satisfy its excessive appetite for energy and growth. If China is unable to curb its growing demand for energy, it may well be drawn into direct conflict with major international powers. China’s leadership is well aware of the strident necessity to avoid such a scenario because of the dire repercussions it would have on the Chinese economy. The previous Chapter demonstrated how a more aggressive China in the international arena would have the effect of destabilizing important trade and commercial relationships, such as that with the U.S. Since trade accounts for over half of the Chinese economy, maintaining access to international markets is just as critical as securing energy supply in order for China to sustain its growth rate. As a result, even if China were to become the world’s largest economy, as the demand for energy increases in relation to its relative supply, China’s leadership would be confronted with fixing an increasingly inefficient system.

In essence, China’s internal challenges are emblematic of those confronting many of the up and coming “second world” countries, such as Brazil and India. Similar to those two nations, the benefits of China’s economic success have been distributed unequally across the mainland. Wealth is largely confined to urban centers, principally in the coastal regions, while the country’s more rural regions remain backward and almost feudalistic. Although China’s economic reforms have lifted about four hundred million

¹⁵⁷ Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006. P.25

above the poverty level of U.S. \$1 a day, it has also increased the disparity of wealth between the rich and the poor. Statistics indicate that the richest ten percent of China's population hold 45 percent of China's wealth, while the poorest ten percent hold only 1.4 percent.¹⁵⁸ Yet, China faces a burden that is unique among developing nations. It is joined only by India in this respect. The sheer size of China's population exacerbates the challenges to the current regime presented by such a degree of social inequality. Notably, the numbers of China's poor are equivalent to the entire populations of the U.S. and Japan combined.¹⁵⁹

The social instability resulting from this gap in wealth is further enhanced by the creeping threat of unemployment in the country. China's leadership has estimated that it must maintain an annual growth rate of at least seven percent in order to create enough jobs for its exponentially growing and urbanized workforce.¹⁶⁰ The greatest threat to China's future political and social stability, in this respect, is not the millions of unemployed peasants in the country, but the recent phenomenon of unemployment amongst college graduates. The high demand by foreign multinationals for cheap Chinese labor allows the government to create numerous jobs in the "low skill" industries, such as manufacturing. Jobs that require a greater level of intellectual merit, on the other hand, have been more difficult to develop. Although the enrollment of Chinese students in higher education has substantially increased, this trend indicates that better qualifications

¹⁵⁸ Shirk, Susan L. *China: Fragile Superpower*. New York: Oxford University Press, 2007. P. 30

¹⁵⁹ Hills, Carla A. et al., "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007), p. 15

¹⁶⁰ Fishman, Ted C. *China Inc.: How the Rise of the Next Superpower Challenges America and the World*. New York: Scribner, 2006. P. 11

have yet to translate into better opportunities. “The Chinese Ministry of Education reported that about 25% of the 3.38 million students who graduated in 2005 will be unable to find jobs.”¹⁶¹ In addition to this fact, those statistics, citing the hundreds of thousands of engineering and science students in China fueling its productive advantage over the U.S., often neglect to mention that only about one tenth of those students can compete internationally.¹⁶² The historical record shows that this type of displacement and dissatisfaction amongst a society’s student and intellectual populations is the breeding ground for political and social unrest and potentially rebellion. This fact is most recognizable in the case of the Russian Revolution of 1917 and even in China’s own Communist Revolution in 1949.

Social unrest is only one of the many domestic issues plaguing China.¹⁶³ For the purpose of this analysis, however, it stands out because of the critical role it plays in limiting China’s international behavior. Social inequality is one of the greatest concerns for the leadership of any developing nation, especially one like China that is on a successful path internationally. It is the greatest source contributing to political turmoil and transition because of the fact that the impoverished groups may become resentful of

¹⁶¹ Shirk, Susan L. *China: Fragile Superpower*. New York: Oxford University Press, 2007. P. 30

¹⁶² Bergsten, et al. *China: The Balance Sheet: What the World Needs to Know about the Emerging Superpower* (Washington, DC: Center for Strategic and International Studies and Institute for International Economics, 2006) p. 4

¹⁶³ Of the other domestic issues, most notable are the environmental consequences of its economic success. Because China lacks significant sources of petroleum and natural gas but has huge coal reserves, it will use far more coal to generate power than natural gas, which produces only one-third the amount of greenhouse gases that occur from the burning of coal. China already has reached the same amount of greenhouse emissions that the United States produces and will rapidly surpass it. Moreover, there are other critical areas of shortage confronting China such as fresh water and agricultural products affecting food supply.

the leadership's inability to distribute social and economic benefits equally. History has repeatedly demonstrated that growing unemployment rates, combined with a distorted distribution of wealth and a lack of social mobility, can single handedly derail progress and undermine a government's legitimacy. Most recently, this phenomenon is once again unfolding in Latin American. The disproportionate numbers of leftist governments that now represent the region were elected on platforms promising greater social equality and employment opportunities across demographic lines.

It is clear that the Communist Party has placed a high premium on maintaining its power. When this fact is combined with the potentially destabilizing threat to the current regime, of social unrest, U.S. policy makers can accurately predict that alleviating these grievances will be one of the top priorities for Beijing. Thus far, China's Communist Party has been able to resist the transitional forces of democracy that generally accompany such a pattern of economic liberalization. With the erosion of Communism's ideological appeal, the regime no longer commands affective loyalty from the people. The regime now relies on instrumental loyalty. Therefore, the government's legitimacy now rests on its ability to deliver high levels of sustained economic growth and increasing the country's international prestige. Recognition as a great power by the international community is a central demand on the leadership of China's highly nationalistic citizens. Failure to deliver the goods is likely to undermine the Party's authority.

In fact, there are now early warning signs indicating growing unrest amongst China's citizens and dissatisfaction with the leadership is on the rise *in spite* of the country's high levels of economic performance. A survey from the country's official

newspaper, *The People's Daily* (which is, of course, controlled by the state), noted that 70% of China's people believed the gap in income was having negative effects on social stability within the country. The same survey also cited the peoples' anger over official corruption and the mass accumulation of wealth it has facilitated amongst Party members.¹⁶⁴ The Party's continuous struggle to secure domestic legitimacy in spite of these growth rates can be explained by what Henry Kissinger maintains is "the incommensurability between a nation's domestic and its international experience."¹⁶⁵ From this viewpoint, he argues that "a nation will evaluate a policy in terms of its domestic legitimization because it has no other standard of judgment."¹⁶⁶ By this standard, if China cannot translate its international success into greater domestic prosperity as seen through more equally distributed opportunities and benefits, there is a significant risk that the regime will soon face a breach in its authority over the people.

The urgent threat which rising social unrest presents to the stability of the regime supports the conclusion that Beijing, at least to some extent, will have to divert some of its attention from foreign affairs to fixing these domestic problems. The size and importance of China's own economy as compared with the global economy, however, will allow it to remain a formidable force in international relations despite these internal problems or its inability to achieve "superpower" status. Still, so long as these domestic issues threaten the Party's power, they will command the leadership's attention.

¹⁶⁴ Shirk, Susan L. *China: Fragile Superpower*. New York: Oxford University Press, 2007. P.31

¹⁶⁵ Kissinger, Henry A. *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822*. Houghton Mifflin Company Sentry Edition, 1979, p. 328

¹⁶⁶ Ibid

In this respect, Beijing has already demonstrated that it is willing to employ a greater level of assertiveness in its foreign policy to secure its internal position, even if it means risking international castigation for its actions. Its behavior in relations with Sudan is a case in point. Because of China's need to secure petroleum to sustain its domestic growth, it casts a blind eye to Sudan's human rights violations, even going so far as supplying Sudan with military weapons. Although recent event suggest Beijing is changing its position, its rigidity to a position of non-interference in the internal matter of states, when set against the state of unimaginable violence in Darfur, borderlines criminal negligence. Moreover, the coercive suppression of political activist Hu Jia, only months away from the Olympics, is yet another example of the priority which the Party places on preserving its position in spite of the unfavorable opinions its actions may generate within the international community. This proves that, even though portraying a positive image to the international community is a central motivation behind Chinese policy, the regime's efforts to defend its own power outweigh the latter. Any effective form of American diplomacy must factor in these motivations that influence China's behavior.

On the other hand, one could persuasively argue that these social grievances in fact, heighten, rather than limit the possibility for conflict with the U.S. on two counts:

- (I) It can be plausibly maintained that China's necessity to maintain its current growth rate in order to deter further social unrest will only fuel greater competition for energy sources with the United States. This suggests that China's energy demand will continue to guide its foreign policy for the purpose of sustaining its economic growth. For this reason, it is in the national interest of the United States to develop alternative sources of

energy. Nevertheless, this counterpoint neglects to consider a critical fact, namely, that, in spite of China's continued economic success, social unrest is *still* on the rise. Most recently, this reality was clearly reflected in the domestic outrage reverberating through China over the Party's inadequacy to alleviate the destabilizing ramifications as a result of the large-scale ice storms in early February. The fragility of China's internal position and the pervasive regional inequality were exposed when millions were left without power in southern China.¹⁶⁷ This region's demographic is overwhelmingly represented the poor migrant workers of China's coalmines. China's increasing dependence on coal, resulting from high demands for energy, is forcing these workers to submit to long hours and poor, at time even fatal, working conditions. Feeling exploited and neglected by the government, these migrant workers are growing increasingly disillusioned and frustrated with the Communist Party. Therefore, if China's leadership wishes to remain in power, it must supplement the country's economic growth with a broader program of social reforms. Rectifying the depth of China's social inequality and developing a viable program that is compatible with the country's vast population will require detailed planning and close attention. By virtue of this fact, the complexities of such an endeavor will undoubtedly divert a significant amount of attention from areas of foreign policy.

¹⁶⁷ Yardley, Jim. "In China, Scramble Continues in Coal Country." *New York Times*; Sec. Asia Pacific. February 9, 2008.

Ultimately, an inwardly focused China is less likely to clash with the United States than an outer directed one.¹⁶⁸

(II) A second counterargument, that China's internal problems suggests negative implications for its external relations, stems from an established tendency amongst states facing pervasive domestic problems to divert the local population's attention from these issues by provoking conflict with an external adversary. Presently, both President Chavez of Venezuela and President Ahmadinejad of Iran have targeted the United States as the root cause of all evils facing their respective countries. In reality, however, it is the domestic problems, precipitated by their management of their respective governments, that are responsible for the prevailing social unrest within those nations. Chapter three illustrates how certain U.S. officials, particularly in Congress, are likewise guilty of invoking this very practice by painting China as the primary culprit behind our staggering economy.

Given this trend, it has been argued that, if the Communist Party's position begins dramatically to falter, it may appeal to the nation's fervent nationalism to sustain its leadership position. Under such a policy approach, Beijing would invoke the nation's historic fear of encirclement by Western Powers, painting an image of the U.S. as an adversary that desires to suppress the rise of China and retain Taiwan for itself. The Party

¹⁶⁸ Bergsten, et al. *China: The Balance Sheet: What the World Needs to Know about the Emerging Superpower* (Washington, DC: Center for Strategic and International Studies and Institute for International Economics, 2006) p. 156

would then portray itself as the only force strong enough to counter these attempts. This scenario would serve as a breeding ground for an inevitable security conflict over the island due to the consequent heightened tensions and mistrust. The strong forces of nationalism in China, coupled with brooding suspicions in Beijing of American containment, render this scenario plausible, but not inevitable.

In this case, China would have to launch a preemptive strike against Taiwan in order to elicit an American response. Such an attack would have a deleterious effect on China's international standing. At the present moment, China appears to be too integrated with, and benefits too much from, the system to risk such aggressive behavior. Furthermore, in its pursuit of Taiwan's integration, China has emphasized economic cooperation over more coercive tactics to meet its objective of reunification. The Pentagon, however, in its militaristic fashion, tends to exaggerate the scope of China's adoption of coercive methods, while downplaying any constructive economic ties between Taiwan and the mainland. If the U.S. were to base its policies solely on reports from the Pentagon, we would be in a perpetual state of war.

Evaluating China's rise against its dependence on the international community will better illustrate the limitations restraining the country's level of foreign adventurism, which has inadvertently contributed to an adversarial image of China in the United States.

International Constraints on China's Behavior

The previous chapter examines the extent to which China's economic prosperity is a direct result of its exposure to, and integration with, the global economy, as well as its increased participation in its respective institutions. Thus, while the current system is responsible for transforming China into a geopolitical force, China remains equally dependent on the system to sustain its newfound prowess. The fact that foreign trade accounts for seventy percent of China's overall GDP reflects the scope of this dependence. The subsequent effect of the U.S. credit crisis on China's domestic markets also supports this claim. China's economic growth, therefore, depends on its ability to maintain amicable relations with foreign investors and its major trading partners, namely, the United States and the European Union. In spite of the United States' declining economic superiority, China still remains heavily dependent on its access to U.S. markets. Therefore, the level of China's assertiveness in its foreign policy is measured against an obvious reality: any actions, such as an invasion of Taiwan, that would elicit a political backlash within the U.S. prompting it to close its markets to Chinese imports. This would have debilitating results for China's internal position in that it would stagnate economic growth and cause unemployment rates to soar. These are two scenarios that run counter to China's national interests and this thesis has demonstrated extensively that China is a state that overwhelmingly acts in accordance with its own interests.

The growing level of assertiveness in Chinese foreign policy is indicative of its desire to assume a bigger role, not only as a regional force, but also a world power. If these early years of the twenty first century are any indicator, China is on a steady path to securing this position. The way to the top, however, requires increased participation in international organizations. China's integration into a growing number of international

organizations (outlined in Appendix I), demonstrates a greater incentive to achieve its goals by cooperating with the system rather than taking coercive measures to impose its demands. Its participation not only in the WTO, but also various security treaties and organizations including, the Nuclear Nonproliferation Treaty, is representative of this behavior.¹⁶⁹ The possibility of receiving an invitation to join the G-8 also motivates China's leadership to act as a responsible partner as contrasted with a petulant state, motivated solely by its own self interest in the international system. China's efforts to persuade the government of Sudan to accept the largest peacekeeping force in Darfur indicates a growing flexibility with respect to its longstanding position of non-interference in the sovereign affairs of states. This, in turn, represents the influence of the international community in altering China's aggressive behavior. This development is further explored in section two below.

Factors Limiting the Risks for a Security Conflict over Taiwan

In a special report regarding the rise of China, Dominic Ziegler makes reference to the argument by a prominent Chinese scholar, David Lampton, that nations use three means to achieve their national goals: (i) coercion; (ii) material inducement; or (iii) intellectual motivation. Loosely translated, this can be interpreted as guns, money, and ideas.¹⁷⁰ Ziegler argues, in accordance with Lampton's view, that the manner in which

¹⁶⁹ Hills, Carla A. et al., "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007) Stable URL: <http://www.cfr.org/content/publications/attachments/ChinaTaskForce.pdf> (accessed March 9, 2008). P. 4

¹⁷⁰ Ziegler, Dominic. "Reaching for a Renaissance." *The Economist; Special Report on China and its Region*, March 31st-April 6th 2007, after p. 58; Report 3-18; p. 4; Lampton, David M. "What Growing Chinese Power Means for America"; *Prepared for: United States Senate Committee on Foreign Relations; Hearing On: "The*

rising nations use these three provides tremendous insight for the type of power a nation is likely to become in the future. Observing China's behavior in its own region reveals a greater tendency to emphasize "money and ideas" over "guns" in Beijing's effort to settle its territorial disputes and peacefully to resolve the tensions that have generally characterized this region. With respect to the issue of Taiwan, the evidence provides further support for the image of China as a responsible and cooperative power, as contrasted with belligerence.

In spite of the Peoples Liberation Army's (the "PLA") expanding military capabilities, Beijing understands that, in order to foster the continuation of China's economic success, the preservation of peace and stability in the Asia-Pacific is a fundamental requirement. From this viewpoint, provoking a security conflict with Taiwan would run counter to China's interests. In this respect, China has taken a number of measures that endorse the legitimacy of its claims, which demonstrate that it seeks to promote the reunification of Taiwan to the mainland by peaceful means. Moreover, Beijing actively promotes cross-strait investment and trade in order to deepen its economic ties with Taiwan. In 2002, China surpassed the United States as Taiwan's number one export destination.¹⁷¹

The logic behind deepening these economic ties is similar to the one used by Jean Monnet when he laid the foundation for the creation of the European Economic Community (EEC) in 1957. The theory was that, as a result of deeper economic integration, there would be an increased level of shared interests among the EEC's

Emergence of China Throughout Asia: Security and Economic Consequences for the U.S." *The East Asian and Pacific Affairs Subcommittee*, June 7, 2005.

¹⁷¹ Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy*. New York: Free Press, 2006. P. 229

members. In some form or another, these interests would inevitably overlap with political and security matters. It followed that these mutual economic interests would provide greater incentive for increased political collaboration in areas where such interests were not mutually exclusive. The position was that, over time, deeper economic ties would enmesh the political and security systems of the EEC's member. While there may still be some measure of debate whether the E.U. has a common foreign and security policy and political system, it is undeniable that the system, that gave birth to first the European Economic Communities, and then the European Union, has played a major role in contributing to the absence of violent power struggles and bloody wars, that had beset Europe for more than a century. In hindsight, it is easy to forget the historic antipathy between Germany and France which threatened to undermine this development. It is very important, however, to keep this fact in mind when assessing the forces threatening to obstruct Taiwan's integration into the mainland.

Even if deeper economic integration does not lead to reunification, it does greatly deter the possibility of a security conflict. This reality was reflected during Taiwan's recent elections in January. The Kuomintang Nationalist Party (which was the principal opponent of Mao's Communist Party and the architect of Taiwan's separation from the mainland) won almost three-quarters of the seats in Parliament. As of late, it has operated on a platform that advocates maintaining the *status quo* between China and Taiwan without ruling out eventual reunification. Their victory limits the influence of current President Chen Shui-bian and his Democratic Progressive Party, that has outwardly provoked China and put the United States in a precarious position with his efforts to promote a strong national identity for Taiwan. Many analysts have interpreted President

Chen's poor electoral performance as a rejection of his hostile approach towards China.

But more importantly, one *New York Times Article* reports:

Analysts also said some Taiwanese feared that Mr. Chen's approach was preventing the island's businesses from profiting fully from the mainland's economic boom. Voters apparently decided that the strategy had garnered few economic benefits for Taiwan and may have isolated it further politically.¹⁷²

Thus, these recent developments in Taiwan suggest that: (i) its citizens are placing a greater priority on sustaining the country's economic prosperity by maintaining peace with China; and (ii) this policy is taking greater preference over nationalist demands for statehood that would provoke a security conflict. In their assessment of the potential for conflict over Taiwan, U.S. policy makers, in order to gain greater insight, should pay closer attention to these new developments in cross-strait relations rather than the Pentagon's reports of the PLA's military development.

Taken together, this economic integration approach by China suggests a pattern of behavior that qualifies as that of a "rational and responsible" power. Such powers traditionally act in accordance with their national interest, developing a pattern of behavior that is predictable and easy to interpret.

At the current moment and for the foreseeable future China benefits tremendously from the *status quo*. Therefore, assuming China is a rational and responsible power, overturning the current system or provoking a strategic rivalry or security conflict with the United States seems unlikely since it runs counter to China's national interest. In fact, Chinese critics of the Bush Administration argue: "that it is not China but the United

¹⁷² Lague, David. "Taiwan Election May Ease Tensions with China." *The New York Times*, Sec: Asia Pacific. January 14, 2008.

States that is a nation which [seeks to] alter the *status quo*.”¹⁷³ Given the recent trajectory of U.S. foreign policy these accusations fall on ample grounds.

Still, there remains a looming suspicion on the part of the U.S. that questions the credibility of China’s commitment to international cooperation despite these constructive aspects of China’s behavior regionally and internationally. Is it simply a continuance of Deng’s instructions for the country to “bide its time, but also get some things done in the meantime,” some grand scale act of deception?¹⁷⁴ More specifically the question remains whether China is cooperating only until it is strong enough to overturn the system. I would argue that these accusations are largely based on paranoia that China is attempting to replace the U.S.’s dominant role in the Asia-Pacific, as contrasted with a more substantial motive to support the stability of the system. Nevertheless, there are many legitimate forces, namely, China’s growing demands for energy sources, that may undermine China’s commitment to the international system as well as its relationship with the United States. To resolve these on a mutually satisfactory basis, I submit that it would be in the best interests of the United States to pacify the growing tensions in its relationship with China now before they reach a point of no return.

SEC. 2: RECOMMENDATIONS FOR IMPROVING U.S.-CHINA RELATIONS

Under the current Bush Administration, a framework was set forth in 2005 by former Deputy Secretary of State Robert Zoellick that works towards the end of making China a more “responsible stakeholder” in the international system. While there have been several important instances of diplomatic collaboration, such as the Six Party Talks with North Korea, the Bush Administration has developed this policy more in the form of

¹⁷³ Shirk 108

¹⁷⁴ Ziegler 4

deepening China's integration into the international markets. The underlying assumption is that an increased level of economic dependence will provide a greater incentive for cooperation on an array of diplomatic issues. The CATO Institute, in accordance with the organization's staunch faith in the "hard" power of the free market system, supports this method. In fact, it strongly advocates on behalf of developing closer trade ties with China for the purpose of achieving a more "cooperative and constructive relationship" with Beijing.¹⁷⁵

This recommendation and the Bush Administration's approach towards engagement with China, however, needs to be revised. Although U.S. policy makers should resist the allure of protectionism that has recently descended upon Congress through an effort to erect higher barriers and anti-dumping regulations to impede imports from China, trade and particularly restrictive trade procedures should not be the departure point for improving this relationship.

Despite the collaborative efforts between China and the U.S. during the Six Party Talks to dismantle North Korea's nuclear program, both powers continue to emphasize economic dialogues over diplomatic and security ones. To reiterate an earlier argument, while trade increases economic co-dependence between states, it does not have the same impact on their diplomatic exchanges. In fact, it tends to have somewhat of an adverse effect. Economic co-dependence, in relationships such as the one between China and the United States, has stimulated resentment and suspicion as a result of some perceived

¹⁷⁵ CATO Institute. "57. Relations with China, pp. 577-585" *CATO Handbook for Congress: Policy Recommendations for the 108th Congress*. Washington, D.C: CATO Institute. P. 582

vulnerability of one of the states to actions on the part of the other state.¹⁷⁶ Furthermore, if China does one day emerge as a future adversary, this approach provides no insulation against such a threat, while continuing to strengthen China's economic capabilities.¹⁷⁷ Increased economic integration neither prevents nor corrects the misperceptions that increase the risk of war amongst international powers.

In order to avert this possibility in the future, any form of greater economic integration must be accompanied by increased communication regarding pressing diplomatic and security matters. Currently, China and the U.S. hold an array of annually occurring official U.S.-China bilateral dialogues. These include: The Joint Commission on Commerce and Trade; the U.S.-China Joint Economic Committee; The U.S. China Joint Commission on Science and Technology; The U.S. China-Economic Development and Reform Dialogue; and The U.S.-China Energy Policy Dialogue. In 2005 and 2006 the U.S. Chinese Senior Dialogue and the U.S. Chinese Strategic Economic Dialogue were added to this list.¹⁷⁸ A common theme amongst these dialogues is an emphasis on economic and commercial issues. The obvious dialogue missing from this list, and perhaps the one that is most needed, is one concerning military and defense issues.

Since the demise of the Soviet Union, the political relationship between China and the U.S. has taken a backseat to the economic one. When examining U.S.-China

¹⁷⁶ Kyngge, James. *China Shakes the World: A Titan's Rise and Troubled Future—and the Challenge for America*. New York: Houghton Mifflin Company, 2006. P. 236

¹⁷⁷ Khalilzad, Zalmay M. et al., *The United States and a Rising China: Strategies and Military Implications* (Santa Monica, CA: The RAND Corporation, 1999) Stable URL: http://www.rand.org/pubs/monograph_reports/2007/MR1082.pdf (accessed March 9, 2008). P. 69

¹⁷⁸ U.S. Department of State. Bureau of East Asian and Pacific Affairs. Oct. 2007. *Background Note: China*. <http://www.state.gov/r/pa/ei/bgn/18902.htm> (accessed March 9, 2008).

relations it is almost impossible to separate the issues into such rigid categories. Nevertheless, it true that, in the last decade, a greater emphasis has been placed upon matters concerning trade and finance between the two countries within both the U.S. government apparatus and the mainstream media. When the mutual threat of the Soviet Union evaporated it had the effect of leaving a tremendous vacuum in this relationship. For almost twenty years, containing the threat of a Soviet invasion had served as the primary motivation for collaboration between China and the U.S. In the absence of such a threat, the tremendous cultural and political divide that existed between the U.S. and China was readily exposed. Yet, the process of economic liberalization and development in China offered a discernible solution to this problem. China's transformation towards free-market capitalism provided a new incentive for collaboration between Beijing and Washington regardless to the gaps in political and cultural values.

As China emerges as a global power, the challenges it presents to the U.S. are tempered with greater opportunities for collaboration, reaching beyond commercial interests to diplomatic and security matters. Contrary to the belief among prominent circles of U.S. policy makers, today China's interests are more compatible with those of the U.S. than they were during the Cold War era. The reality of this statement is often overlooked because of an American tendency to exaggerate areas of competition with those states we perceive to be potential rivals. Yet, from the data provided in the previous chapter, it is undeniable that neither country is benefiting from: soaring oil prices; the proliferation of nuclear weapons in an age of global terrorism; or the potential of a security conflict in the Asia-Pacific region. The next U.S. President should embark upon a policy of encouraging high-level diplomatic exchanges with China, like those between

Zhou and Kissinger, that explicitly articulate the areas of mutual interests between the two nations. Such regularly occurring dialogues should seek to reestablish a level of trust that has diminished and given way to greater suspicion between our two nations.

Although this may seem trivial, the exchanges between Kissinger and Zhou Enlai in 1972 reflect how central the existence of mutual trust is to the success of such high level diplomatic exchanges. The Senior Dialogue is a beginning step for this process.

Promoting greater cooperation on these issues will help to balance the competing interests that threaten to tilt the dynamic of this relationship towards a strategic rivalry. A policy that places a greater emphasis on multilateralism should be used to address areas of competing interests, thereby shielding U.S. interests against the future risks of China's rise. Keeping more coercive and unilateral "hedging" tactics at a minimum would be best suited to achieve these ends. Using this general approach as a sounding board, the following subsections provide specific details of such a policy in relation outstanding disputes cited in chapter three.

Specific Policy Recommendation for Selected Areas of Competing Interests

Security Challenges: The future of Taiwan and China's Military Development

Highlights for Security Challenges

- Problem does not lie directly with U.S. or Chinese Policy vis-à-vis Taiwan; American insecurity rests in increased capabilities of PLA and sizable deployment along the strait; policies should focus on this
- Establish an official bilateral Senior Dialogue that specifically addresses security and defense issues
- Fill post for U.S. Ambassador to ARF to watch China's security interactions in region
- Petition as a joint venture with the E.U. to become an observer of SCO
- In "hedging" tactics place greater emphasis on renewing commitment to the development of the region through aid rather than strengthening military alliances
- Restructure World Bank and IMF to make them more effective in this endeavor
- Make this central focus of bilateral relations with Japan and South Korea rather

- | |
|---|
| <p>than military agreements</p> <ul style="list-style-type: none">• Realistic assessment of China's power in the region is necessary, source is "soft" not "hard" military capabilities |
|---|

There is little room for flexibility with respect to U.S. policy on the issue of Taiwan. The United States is committed to the defense of Taiwan because of its security obligations set forth in the Taiwan Relations Act.¹⁷⁹ China and the U.S. have avoided escalating tensions over this issue until very recently. This suggests that the problem does not lie directly with U.S. or Chinese policy vis-à-vis Taiwan, but elsewhere. In the pursuit of reducing tensions over this issue, the next U.S. administration should isolate the factors that have contributed to growing strains in relations over this issue. It is submitted that the increased capabilities of the PLA and the sizeable deployment of its forces along the strait are a leading cause of American insecurity over the possibility of potential conflict. Therefore, it would be wise to take measures that rectify these concerns before making any changes to U.S. Taiwan policy, which has proved to be quite successful up until these new developments in the Chinese military.

The first step in addressing the anxieties, that are fueling mutual suspicions and driving mistrust in both China and the U.S relating to security and defense issues, would be to establish an official bilateral dialogue, similar to the existing ones, that deals exclusively with military and defense issues. This would allow for a greater level of transparency that is currently missing. In addition to this bilateral dialogue, the U.S. should take a more active interest in the multilateral regional organizations of which China is a member. China has been a member of the region wide security organizations, the ASEAN Regional Forum (ARF), since 1994. In 2004, for example, Beijing proposed

¹⁷⁹ See Appendix II for language of the commitment in Taiwan Relations Act

that ARF begin to address military issues and was the site for the first exchanges between defense officials of the organizations members. The newly created post of a U.S. ambassador for ASEAN affairs allows the United States to play a more proactive role in the development of China's security relations in the forum of this multilateral organization.¹⁸⁰ Moreover, it allows the U.S. a better opportunity for observing China's behavior in pursuit of its regional security interests and facilitates effective formulation by the U.S. of policies to deal with this issue.

The U.S. should also seek to enhance ties with other Asian security institutions, such as The Shanghai Cooperation Organization (SCO), in which China is joined by other rising powers like Russia. Traditionally, the organization has been seen as hostile to U.S. interests by many American leaders because of: (i) the high number of authoritarian states among its members; and (ii) the lesser stated goal of the organization that was mainly for the purpose of the Cold War undermine U.S. influence in the region. However, the collective threat of global terrorism gives the U.S. new opportunities to collaborate with China in the forum of this organization. Existing policy recommendations have advocated that the U.S. petition to join the SCO as an observer in order to coordinate more effective policies with the organization's members on this issue.¹⁸¹ I would add, however, that the U.S. should pursue this initiative as a joint venture with the E.U. This approach would be more effective because it demonstrates a

¹⁸⁰ Shirk, Susan L. *China: Fragile Superpower*. New York: Oxford University Press, 2007. P. 119

¹⁸¹ Hills, Carla A. et al., "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007) Stable URL: <http://www.cfr.org/content/publications/attachments/ChinaTaskForce.pdf> (accessed March 9, 2008). P. 82

genuine interest in multilateral cooperation. Approaching the organization unilaterally would undoubtedly fuel suspicions and elicit accusations that the U.S. was trying to “spy” on the group’s activities to make sure they do not undermine U.S. authority.

It is inevitable that any future U.S. security policy in Asia will incorporate some form of “hedging” to protect U.S. interests in the event that China should emerge as a future rival. In pursuit of such tactics, almost every existing policy recommendation places clear emphasis on strengthening the U.S.’s military alliances in the region. While some level of strengthening U.S. military action as will be necessary, it should not be the focus of U.S. policy. There are two reasons for this suggestion. First, making such abrasive tactics the cornerstone of U.S. policy would be ultimately self-defeating because they proliferate the risks of facing China as an enemy. Overstating the importance of U.S. military alliances with such nations such as Japan and South Korea in this approach would cater directly to China’s historic fear of encirclement. As a result, the Chinese are likely to interpret such extensive bilateral military alliances in their region as security threat and respond accordingly. The Chinese could then possibly proceed by expanding military deployment and development in the region or increase efforts to establish their own web of military alliances to offset those of the U.S.

In this environment of fleeting alliances, the likelihood that China and the U.S. would enter into a type of Cold War rivalry vying for spheres of influence is very strong. In the event such an occurrence, the historically volatile nature of the Asia-Pacific coupled with the increased levels of mistrust and insecurity among states heightens the risks for the type of security conflict with China that the United States was trying to avoid in the first place.

A second reason offered in objection to excessive hedging measures of this nature is that, once again, U.S. policy makers are misinterpreting the source of China's power. The growing influence China is experiencing in this region that is threatening the U.S.'s traditional role as the dominant power is *not* the result of China's expanding military capabilities. Thus, strengthening bilateral military alliances in the region only protects the U.S. against China's "hard power", which, for the time being and the foreseeable future, is significantly inferior to that of the U.S. On the other hand, this strategy does nothing to protect the U.S. from the consequences of China's mounting "soft power", which is the primary force behind its expanding role as a regional leader.

China's massive reserves allow the country to boost its influence in the region by giving out supplemental aid packages to its poor neighbors, much the way the U.S. did after World War II. Cambodia and Sri Lanka are both examples of countries that have benefited from Chinese capital aid packages. In April 2006, China's Prime Minister, Wen Jiabao, announced that China would dispense \$600 million to the Cambodian government for the development of the country's infrastructure. China's aid package was almost equivalent to the entire international aid budget put up by such institutions as the World Bank and the Asian Development Bank, with an array of other bilateral donors.¹⁸² Most recently, China has quietly moved into India's backyard to provide the Sri Lankan government with similar aid packages. According to one *New York Times* report, "Chinese assistance has grown fivefold in the last year to nearly \$1 billion, eclipsing Sri

¹⁸² Ziegler, Dominic. "Reaching for a Renaissance." *Special Report on China and its Region; The Economist*. March 31st-April 6th 2007, (after p. 58; Report Inclusive 3-18). P. 15

Lanka's longtime biggest donor, Japan. The Chinese are building a highway, developing two power plants and putting up new ports...".¹⁸³

These actions are contributing tremendously to China's increased credibility in the region. Traditional donors Western donors, such as the United States and the E.U., are now being replaced by the newly rich and rising Eastern Powers, such as China.

Countries such as Cambodia and Sri Lanka appreciate Chinese funds because "when China gives, it does say do this or do that. [The recipient states] can do whatever [they] want with the money."¹⁸⁴ The aid packages that such countries receive from international institutions, such as the IMF and the World Bank along with individual Western powers, usually come with various demands and conditions that limit the recipients' ability to use these funds freely.

If the U.S. wants to keep a strong foothold in the region and bolster its faltering influence against China's growing diplomatic power, it must focus on deepening regional ties through increased aid programs. Moreover, renewing the U.S.'s commitment to developing the region, a program that it initiated after the Korean War, is a much less aggressive and outwardly confrontational tactic than exclusively pursuing a strategy that deepens bilateral military ties.

Problematically, however, the U.S. does not have the same amount of reserves that it did after World War II, which allowed it to initiate such effective economic aid programs as the Marshall Plan. Arguably, it was these programs, more so than our

¹⁸³ Sengupta, Somini. "Take Aid From China and Take a Pass on Human Rights". *The New York Times*, Sec: Week In Review. March 9, 2008.

¹⁸⁴ Perlez, Jane. "Chinese Move to Eclipse U.S. Appeal in South Asia". *The New York Times*; Sec: China's Reach. November 18, 2004.

military bases in Europe and Asia, that legitimized our authority as a regional hegemony. Therefore, despite the limitations of the U.S.'s faltering economy on its diplomatic reach, it is submitted that the U.S. it must pursue venues allowing it to maintain a post of "soft power" in the region. The best course of action would be one that works closely with India and Japan to increase aid packages in the region. Any future "hedging" strategy should incorporate this "soft power" aid program. Deepening our military alliances with Japan and India should be secondary to this primary "soft power" approach. Japan still has a formidable amount of capital liquidity at its disposal as a result of its towering reserves.

Yet any such efforts must be paralleled with increased packages of international and multilateral aid from institutions such as the World Bank and the IMF. This will require the U.S. to work very closely with the E.U. towards restructuring the governance of institutions, such as the World Bank and IMF, which have increasingly been criticized for inefficiency and ineffectiveness. Part of these reforms must include a release by the U.S. and the major E.U. member States, of their oligarchic control of such institutions and providing China and other developing nations with a bigger stake in the leadership of these organizations.¹⁸⁵ Excessively operating outside the scope of these institutions could lead to a scenario where smaller countries could play China off the U.S., Japan, and India in order to gain greater bargaining leverage. These smaller countries would then aim to manipulate the perceived competition to influence the strategic influence of the larger

¹⁸⁵ Ikenberry, G. John. "The Rise of China and the Future of the West; Can the Liberal System Survive?" *Foreign Affairs Jan/Feb 2008* Vol. 87. Is.1 (2008), p. 23 (1-5 online), <http://www.foreignaffairs.org/20080101faessay87102-p0/g-john-ikenberry/the-rise-of-china-and-the-future-of-the-west.html>. (accessed March 9, 2008). 4

powers in a way that best advances their own. Ultimately, the U.S. needs to focus its energies on restoring the legitimacy of its “soft power”. It is submitted that making this the principal goal of U.S. policy in East Asia will prove to be more beneficial for enlisting China’s cooperation in other areas, such as nuclear proliferation. Reducing the centrality of regional military alliances will help weaken Chinese accusations that the U.S. is implementing a policy of confrontational containment that is hostile to China’s rise.

Nuclear Proliferation: The Case of Iran

Highlights of Strategy for Iran

- Strengthen existing non-proliferation treaties and organizations
- U.S. has to follow the rules itself, can’t go around making agreements with India and then expect China to cooperate with Iran

China’s strategic energy interests in Iran will make it very difficult to enlist China’s collaboration in dismantling Iran’s nuclear facilities in the same way the U.S. did with North Korea. This does not mean, however, that it is impossible. Those existing policy recommendations advocating that the U.S. should convince China of the need for its cooperation on this issue because “it is a vital component of our mutual confidence and our bilateral relationship”, do not address the present realities of this relationship.¹⁸⁶ Even as a rhetorical tactic this suggestion would fail to yield any results. It depicts the type of unbalanced representation of power in the relationship that inspires such antipathy from China’s leaders. Hypothetically speaking, were the circumstances reversed, and the country in question was Saudi Arabia and China was appealing to the U.S. in the absence

¹⁸⁶ Bader, Jeffrey A. et al. 2007. “Contending with the Rise of China: Build on Three Decades of Progress”. *Opportunity 08: A Project of the Brookings Institution* (pp.1-15). Washington, D.C: The Brookings Institution. P. 7

of any concrete evidence to implement an aggressive series of sanctions to influence the Saudi government, it would be highly unlikely that the U.S. would react with the same type of responsive it is now expecting from China. Thus, any strategy on this matter must take into account China's own interests and appeal to its leadership accordingly.

The best strategy for securing China's support would be one persuading Beijing that an Iran with nuclear capabilities at its disposal is not only a threat to U.S. national security interests, but to its own as well. The next President should draw on the lessons set forth by Kissinger in his negotiations with Zhou. This strategy would involve a similar pattern of tapping into the primary motivations shaping China's national interests and portraying a nuclear Iran as a clear threat to the advancement of those interests. In collaboration with their E.U. counterparts, U.S. diplomats should vividly illustrate the clear threat a nuclear powered Iran would pose to the stability of the entire region in light of the recent turmoil in Pakistan, which is threatening to revitalize its role as the most dangerous place in the world. A strong argument can be made that Iran's nuclear capabilities would inspire proliferation across the region. Although this outcome is not guaranteed, what is certain is that the anxieties surrounding this possibility will be enough to disturb flow of investments to the region and send oil prices through the roof. Such dramatic increases to the price of oil would have a debilitating impact on China's growth rate in spite of any energy benefits it strategic ties to Iran yield.

However, the recently declassified U.S. intelligence report citing inconsistencies in the CIA's representation of Iran's nuclear capabilities greatly limits the effectiveness of this strategy. Presenting Zhou with clear intelligence of Soviet expansionism along the Chinese border was key to the success of Kissinger's strategy. Given this reality, it is my

recommendation that should then U.S. move to strengthen the existing non-proliferation organization and treaties to deter future efforts from Iran to acquire a weapon. This means that the U.S. must also abide by these regulations. When the U.S. makes an *ex parte* decision to operate outside the rules set forth by the non-proliferation institutions it has the effect of undermining their authority and gives other powers an excuse to do the same. The United States' effort to establish bilateral nuclear deals with India, which is not a legitimately sanctioned nuclear power, is a case in point. What is preventing China from making a similar deal with Iran? If the United States continues to fragment the international order into a series of bilateral alliances operating outside of the standard international institutions it runs the risk of inspiring China to do the same. A greater consequence of these actions would be recreating the mistrust and inclination towards misinterpretation that dominated the bi-polar world order of the Cold War.

The Debate over Intervention in Sudan:

Highlights for Collaboration on Sudan

- *Sudan wants Western aid, China wants to stop being castigated for its dealings with the Sudanese government, U.S. wants to stop violence in Darfur; there is a major incentive for collaboration on this issue*
- *China can work behind scenes with Sudanese government while U.S. works together with U.N. Security council to draft a cease fire agreement that is linked to increased aid from the West if certain conditions are met*

There are new developments indicating that Chinese behavior is yielding to the demands of the international community on this issue. A recent *New York Times Article* cited noticeable changes in China's strict position of non-intervention towards Sudan regarding the on-going genocide in Darfur. It has urged the government of Sudan to accept the largest peacekeeping force in addition to sending engineers to help

peacekeepers in Darfur.¹⁸⁷ Although China is unlikely to cut off its business ties to the Sudanese government, this change in attitude is telling of a greater willingness to cooperate with the international community by becoming a more “responsible” power. It provides a brighter prospect for the framework of U.S. Chinese relations by supporting and image of China as a partner instead of an adversary.

The article cites that the Sudanese government places high political capital on reaching some sort of agreement that would open business and diplomatic contacts with the United States. Sudan wishes to expose itself to Western aid by engaging with the U.S. This is a major departure point for increased collaboration between the U.S. and China. Working together within the apparatus of the U.N. Security Council, China and the U.S. could work together to negotiate a cease-fire agreement linking the termination of the war in Darfur to increased exposure to the West. China could use its influence over the government to accept the terms of such an agreement. Subsequently, this approach would be in China’s best interest. The international backlash that has come as a result of Beijing’s ties to Sudan is having negative effects on its reputation. With the Olympics rapidly approaching it is offsetting the leadership’s efforts promote a responsible character to the international community.

¹⁸⁷ Polgreen, Lydia. “China, in New Role, Presses Sudan on Darfur”. *The New York Times*, Sec: Africa. February 23, 2008.

Highlights for Collaboration on Energy Security

- U.S. must lead by example on this issue, next President should focus heavy on a clean energy policy to help restore U.S.'s leadership role in the world
- U.S. needs to work independently and with China to invest and promote research for "clean" coal burning technology and solar power energy, U.S. needs to get out of the Middle East
- Seek to promote China's integration into International Energy Agency, will impose more standards that will help to limit China's growing appetite and consumption
- U.S. needs to exercise active diplomacy to persuade China that reducing oil-dependence is in both their long term interests and a BIG incentive for collaboration
- To reassure suspicions of containment U.S. needs to make it clear to China that it doesn't want to contain China's access to oil supply lines

The disputes surrounding the cases of Iran and Sudan would be less likely to occur in the advent of more effective energy policies. Soaring demands for energy supplies support the claim that the only way the U.S. will be able to avoid a strategic rivalry with China in the future is through the development of such policies. Additionally, the current level of energy consumption and greenhouse gas emissions is having debilitating effects on the environment. On this point, once again the U.S. must lead by example. If the U.S. chooses to restore its faltering global authority, leadership on energy policy will prove to be the most promising venue. The U.S. should work independently as well as with China to invest and promote research that would develop "clean" coal burning technology and solar power to liberate itself from its dependence on the volatile oil producing regimes in the Middle East.¹⁸⁸ To enlist greater cooperation from China the

¹⁸⁸ When considering the recommended sources of alternative energy, hydrogen power is the most promising because its source is abundant and free. In the competition between China and the U.S. to secure a productive edge in areas of high skill manufacturing the strategic advantage will, to a large extent, be determined by which country continues to

U.S. should supplement its annually occurring bilateral Energy Security Dialogues with a greater effort to integrate China into the multilateral dialogues among oil-consuming nations, which would include eventual membership into the International Energy Agency (IEA).¹⁸⁹ The U.S. must exercise a persistent effort to persuade China that reducing its dependence on oil is in its long-term interest, while taking steps to reduce its own dependence. In the absence of an alternative energy policy, China and the U.S. must be careful not to impede upon what each considers critical supply lines of each other's energy. The U.S. must clearly articulate to China that so long as peace ensues between the two nations, the United States will not attempt to contain China's access to oil markets.¹⁹⁰ In turn, this will help clarify U.S. policy to China's leadership and reassure it against suspicions of containment in this arena. However, as the demand for energy increases against a declining supply this will become increasingly difficult, therefore it is better to rigorously pursue a renewable alternative.

develop high-technology in the area of renewable energy. The most useful example of this is hydrogen cell technology for cars. Furthermore, in order to limit China's competitive advantage in this area of industrial production, the U.S. should be a leader in pushing for common standards regulating the environmental effects of such technologies in the next round of amendments to the Kyoto Treaty.

¹⁸⁹ Hills, Carla A. et al., "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" Sponsored by the Council on Foreign Relations *Independent Task Force Report No. 59* (New York, New York; The Council on Foreign Relations, 2007) Stable URL: <http://www.cfr.org/content/publications/attachments/ChinaTaskForce.pdf> (accessed March 9, 2008). P. 95

¹⁹⁰ Bader, Jeffrey A. et al, 2007. "Contending with the Rise of China: Build on Three Decades of Progress". *Opportunity 08: A Project of the Brookings Institutions* (pp. 1-15) Washington, D.C.: The Brookings Institution. p 5

Highlights on Human Rights

- Problematic to articulate clear policy on this issue, not considered an area of “high” national interest, and when there are other more contentious points in the relationship U.S. needs to be careful not to provoke conflict it
- But U.S. should continue to push for a freer society but from a distance
- When voicing opposition don’t be self-righteous or use excessive public condemnations to express outrage
- In this circumstances do it in collaboration with the E.U. and organizations such as Freedom House

Addressing the disputes over human rights is difficult because of the high level of Chinese sensitivities surrounding the issue. The U.S. must be careful not to directly interfere in what China considers an internal affair. Therefore, any specific recommendations for this policy area are difficult to establish because situations of human rights abuses are generally assessed on a case-by-case basis. Nevertheless, it should remain a primary objective of U.S. policy to encourage China to accept greater respect for human rights in accordance with international norms. A freer Chinese society is more likely to sustain a commitment to the current international system.

That being said our efforts to inspire greater human rights reform should be less self-righteous and moralistic and more pragmatic. In situations of human rights abuses that do merit public condemnation the U.S. should seek to voice these concerns in collaboration with other Western powers, such as the E.U., and international organizations such as Freedom House. Presenting such opposition in the forum of a broad coalition reduces the possibility of creating a U.S. versus China dynamic. It eliminates the Chinese resentments that accompany traditional unilateral approach of American interference. The less inclined Chinese citizens are to resent foreign power the more

likely they are to notice the grievances of their own domestic conditions and push for reform. Ultimately, the United States needs to lead by example on this issue.¹⁹¹ It cannot expect China to adhere to standards of international law that U.S. officials choose to disregard themselves. Closing the detention facility at Guantanamo Bay would be one first important step in this right direction. When the U.S. chooses to vocalize its opposition to Beijing's violation of human rights standards, it should be done in unison with an affirmative coalition behind it. The next administration should only resort to unilateral sanctions or public shaming in the most extreme circumstances.

¹⁹¹ Ibid 13

CHAPTER 5:

Conclusion: Updating U.S. Foreign Policy to the Twenty-First Century

China's emergence as an economic and geopolitical force in the global community is lined with both opportunities and challenges for the United States. The ability to recognize and readily distinguish the two requires that U.S. foreign policy be based on more realistic and balanced assessments of China's capabilities and objectives. Contrary to public opinion, an increase in China's capabilities and global prestige is not the cause of what many have observed as a period of decline in U.S. global power. Much of this damage is self-inflicted rather than some premeditated plot on the part of Beijing to challenge the U.S. for its hegemonic power. Continuing to interpret China's rise in such fatalistic and emotional terms will limit our abilities to understand and prepare for the real challenges it presents to the future of this country. Such exaggerated fears and flawed perceptions of China's power "trigger our Cold War reflexes."¹⁹² Too much emphasis is placed on China's "hard" capabilities, particularly its expanding military

¹⁹² Shirk, Susan L. *China: Fragile Superpower*. New York: Oxford University Press, 2007. P. 267

program and its massive export markets, as the source of its growing influence in geopolitics. Thus, in the U.S.'s efforts to "hedge" against the risks of a potentially adversarial China, its methods are still rooted in the Cold War relics of the twentieth century. These tactics are outdated and will prove ineffective in dealing with those challenges arising from the present conditions of the international system.

The geopolitical landscape of the twenty-first century is already showing signs that it will be much different than the previous one. China is not the Soviet Union and the United States no longer generates the affective loyalty it once did as the defender and champion of liberal democracy. Globalization has created a complex web of interdependent economic and geopolitical relationships that render the fragmented order of the Cold War almost counterintuitive. Competition for power and influence in the global community continues, but the dominion of war has changed. The weapon of choice is no longer massive militaries and surplus reserves of missiles. These have been supplanted by large sums of liquidated capital and skills in areas of high technology. Both of these valuable assets are at China's disposal.

Additionally, globalization is demanding a higher level of multilateralism in the diplomatic exchanges among states. In his essay, *Waving Goodbye to Hegemony*, Parag Khana argues that globalization is making emerging market countries of the developing "second world" a new force in global politics because of their access to the stated capabilities of growing importance in this young century.¹⁹³ Additionally, many of these

¹⁹³ Khana, Parag. "Waving Goodbye to Hegemony". In *New York Times Magazine*; January 27, 2008.

***By Khana's definition of "second world" he includes the BRIC countries outlined in Chapter 1, but also other countries such as Turkey and Libya. Although he only mentions them in passing, important to note among these rising powers are those of the United

countries are becoming “hubs for all oil, timber, manufacturing and services, and airlines and infrastructure, making them an attractive partner for the existing “great powers” of the U.S. and the E. U.”¹⁹⁴ As a result, these newly rising countries are presenting themselves as an important consumer market for the world. China is at the forefront of these countries. But the volume of its economy, the unprecedented capital of its surplus foreign currency reserves, and its expanding military capabilities allow it to compete with the E.U. and the U.S., in spite of its developing status. As a result of their newfound power, these rising countries are demanding more balanced and reciprocal relationships with the existing “great powers”. The Bush Administration has effortlessly failed to capture these trends. It outwardly rejects more constructive approaches of mutual accommodation, stubbornly insisting that such tactics would “embolden the enemy”. Instead, the Bush Doctrine of preemption and unilateralism seeks to advance U.S. interests by coercively imposing our system of values on the world. In reality, however, this style of foreign policy has made the world more hostile to the advancement of such interests by alienating the U.S. from its allies and further antagonizing its adversaries.

Khana notes:

The self-deluding universalism of the American imperium — that the world inherently needs a single leader and that American liberal ideology must be accepted as the basis of global order — has paradoxically resulted in America quickly becoming an ever-lonelier superpower.¹⁹⁵

Arab Emirates, namely Dubai and Abu Dhabi. This is not only because of the growing capital and influence from the investments of their Sovereign Wealth Funds abroad. In my own experience, after visiting Dubai and confronted with the rapid pace of innovation in high technology as seen in the form of groundbreaking architecture and infrastructure, leads me to believe that such models are the way of the future. My visit to Hong Kong in December further confirmed these suspicions that modernity is on an Eastward path.

¹⁹⁴ Ibid

¹⁹⁵ Ibid

Contrary to a majority opinion, these new trends among rising states are not the result of China's rise. Instead, they are a product of the liberal capitalist system, institutionalized by the United States after World War II. China's advantage over the U.S. stems, not only from its surplus cash, but also its ability to operate within the scope of this new landscape, while the United States has yet to upgrade its policies to the realities of this century.

This advantage is most clearly reflected in the race to secure natural resources, what has been branded the "strategic competition of this century". It is my conviction, that the Bush Administration is prolonging our involvement in an unnecessary and imperialistic war in Iraq to secure a lasting base in the Middle East for the purpose of safeguarding our oil interests and bolstering our regional influence in the face of an increasingly hostile Iran. As the Republican candidate for the presidency, Sen. John McCain's pledges to advance this goal, serves only to confirm my suspicions. The war in Iraq, however, has delivered neither a more stable source of oil nor greater democratic freedoms for the Iraqi people as promised. Instead, it has tarnished America's reputation and left our economy vulnerable as a result of reckless spending on the current account deficit, at a time when the U.S. should be saving and investing. Although China's currency may be undervalued, this type of spending has contributed significantly to the current trade surplus it holds with the U.S.

China's approach is proving to be more successful. It has been able to secure its supply lines by saving and investing in countries rich in natural resources, instead of launching preemptive strikes.¹⁹⁶ Beijing builds up its diplomatic capital with these

¹⁹⁶ Ibid

nations by providing funds for the development of infrastructure, and in certain cases selling weapons to the government. While its involvement with and arms sales to certain clients may be morally questionable, its methods are not. In its own region, as illustrated in chapter four, China's influence is steadily gaining on that of the United States. At a time when the U.S. is closing its doors to foreigners and erecting fences to keep out immigrants, China is keeping them open and investing in the development of poorer countries, and making multilateralism the cornerstone of its diplomacy.

To understand the success of this strategy, and its growing popularity over exercises of military prowess to secure global and regional influence, one need only to look at the E.U.'s implementation of this method along its borders. In 2004, the E.U. adopted the European Neighborhood Policy (ENP) to provide greater financial and technical assistance to its neighbors. Under this policy, the exact terms of this assistance vary for each country and are set forth in a jointly negotiated Action Plan by the E.U. and the recipient country. The level of the ENP's success as a means to advance the policy's stated objective, "to establish a mutual commitment to the values of democracy between the E.U. and its participating neighbors," is debatable.¹⁹⁷ Still, it is significant to mention nonetheless, because of the broader implications this approach holds. When taken together, policies such as the ENP and China's "smile diplomacy", suggest a shift in the nature of power relations among the major states in the international system. In the so-called competition for primacy and influence among the great powers, the traditional ranking of those capabilities, namely economic and military, relative to a given state's power are being restructured. Approaches that emphasize "money and ideas" are being

¹⁹⁷ Bretherton, Charlotte; Vogler, John. *The European Union as a Global Actor*. 2nd ed. New York: Routledge, 2006.

used to increase a state's international power, while the more coercive elements of "guns" are secondary.¹⁹⁸ To further illustrate this point one should consider the billions of dollars Abu Dhabi and Singapore's sovereign wealth funds invested in Citigroup and Merrill Lynch. After suffering unprecedented losses from the recent credit crunch, the capital investments from such funds helped to keep the U.S. investment banking system from going under.

If the U.S. wishes to compete and engage with China in the twenty-first century, it must play close attention to these developing trends. Our military capabilities will continue to give the U.S. a formidable advantage over China. But if that is not how the competition for power and influence is being fought, then what good is it? Building up our "hard capabilities" should be second to restoring our "soft power" in the world. In this regard, China's surplus reserve give it a sizeable advantage over the U.S. Yet, the United States is still a strong force in global politics and will be for a long time to come. Its markets are the gateway to Western investments and trade. In addition, its institutions of higher education and research facilities are still the best in the world. This makes it attractive to many of the "second world" countries that are critical outlets for U.S. investment and production.

In an effort to restore the U.S.'s leadership role, or at least reverse the damage of the last eight years, the next President should follow the lessons set forth by Nixon and Kissinger in their approach to China. When Nixon took office, the U.S.'s ability to compete was limited by its involvement in Vietnam and a weakened economic position

¹⁹⁸ Lampton, David M. "What Growing Chinese Power Means for America"; *Prepared for: United States Senate Committee on Foreign Relations; Hearing On: "The Emergence of China Throughout Asia: Security and Economic Consequences for the U.S."* The East Asian and Pacific Affairs Subcommittee, June 7, 2005. P. 4

as a result of excessive military spending. Recognizing these limitations on America's material capabilities, they sought to bolster the U.S.'s power and influence through renewed alliances, that although unbalanced, relied on more constructive elements of engagement.

The necessity for collaboration requires that our exchanges with other nations, including China, be based on the "art of relating states to each other by agreement rather than by the exercise of force, by the representation of a ground of action" reconciling "particular aspirations with a general consensus. Because diplomacy depends on persuasion and not the imposition of force."¹⁹⁹ In each of the approaches outlined in China and the E.U.'s policies, during the course of diplomatic exchanges with their neighbors, there is a greater preference for multilateralism over the unilateral imposition of demands. The next U.S. Administration should capitalize on this trend. In its conduct of foreign policy, there should be a greater premium placed on multilateralism. Accordingly, there should be an initiative to restructure the existing international institutions and government organizations to allow for countries like China, Brazil and India to have a bigger leadership role in these forums and the outcome of its decisions, and by virtue of this fact, increase their stake in the continuity and stability of the system. This will require both sacrifice, reflected in a willingness to surrender the U.S.'s traditional role as the world's sole leader and patience, to allow for methods of mutual accommodation to deliver results. Unfortunately, sacrifice and patience are both virtues that are foreign to the United States. Nevertheless, stubborn adherence to failed policies

¹⁹⁹ Kissinger, Henry A. *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822*. Houghton Mifflin Company Sentry Edition, 1979.

of unilateralism will only continue to marginalize the role and influence of the U.S. in international relations.

This approach is best served in the U.S.'s relationship with China. The growing hazards of a degraded environment, the challenges of global terrorism, and the three digit prices for oil, all provide tremendous opportunities and incentive for increased collaboration, despite the challenges a rising China may present. However, the basic realities of its political system, coupled with significant disparities in cultural norms, account for fundamental incompatibilities in the domestic experiences of China and the United States. As a result, there exists more room for the type of misperceptions and mutual suspicions that breed conflicts in the international system. To bridge this gap in experience and allow for increased cooperation, the "hard" power of the markets as a form of integration, will have to be supplemented with a greater level of diplomatic exchanges falling outside the scope trade and commerce issues.

The U.S. should adjust its policy of engagement to factor in the reality that China is no longer a substantially weaker power. Thus, engaging will need to be based on advancing *mutual* interests rather than exercising force through sanctions to bend China's interest to meet those of the U.S. In areas where these diverge, China has repeatedly demonstrated that it is more responsive to addressing competing interests in a multilateral forum. In order to make progress on the outstanding disputes highlighted in this thesis, U.S. policymakers will have to recognize this aspect of Chinese behavior to allow for more successful diplomacy with Beijing.

As the existing great power, the U.S. will play a significant role in shaping the future of this century. If America chooses to adopt a more constructive approach towards China

that silences the inflated fears circling the rising titan's future trajectory, the risks of facing China as a rival will be significantly reduced. This will result in greater opportunities for partnership. Yet, if the U.S. continues to "hedge" against this risk unilaterally and in ways that cater to China's historic fear of encirclement, allowing for the powerful forces of Chinese nationalism to "nurture its fantasies [and] cherish its hates", the prospects for peace and stability in this century will be limited.²⁰⁰ At this critical juncture in U.S.-China relations, the truth Nixon spoke more than thirty-five years ago is relevant now more than ever:

United States Policy is not likely...to have much impact on China's behavior...But it is certainly in our interest, and in the interest of peace and stability in Asia and the world, that we take what steps we can toward improved practical relations with Peking...We will seek to promote understandings which can establish a new pattern of mutually beneficial actions.²⁰¹

Ultimately, there will need to be a greater willingness to collaborate with our allies and a return to pragmatism and flexibility in U.S. foreign policy, that will secure not only a positive future course for U.S.-China relations, but also America's ability to successfully adapt to the new realities of the international system and its changing role in the world.

APPENDIX I:

²⁰⁰ Nixon, Richard. *U.S. Foreign Policy for the 1970's: A New Strategy for Peace; A Report to Congress by Richard Nixon President of the United States* February 18, 1970. P. 141

²⁰¹ Ibid 141-2

China's Membership in Multilateral Treaties and Organizations

INTERNATIONAL

Economic

World Trade Organization (WTO)

World Bank

International Monetary Fund (IMF)

**not a member but contributes
regularly to aid packages

Security

United Nations Security Council

Nuclear Nonproliferation Treaty

Chemical Weapons Convention

Nuclear Suppliers Group

Missile Technology Control Regime

REGIONAL

Economic

Asia Pacific Economic Cooperation
(APEC)

ASEAN Plus Three

Security

ASEAN Regional Forum (ARF)

Shanghai Cooperation Organization
(SCO)

APPENDIX II: TAIWAN RELATIONS ACT

Relevant Sections

SECTION 1. This Act may be cited as the "Taiwan Relations Act". FINDINGS AND DECLARATION OF POLICY SEC. 2. (a) The President- having terminated governmental relations between the United States and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979, the Congress finds that the enactment of this Act is necessary-- (1) to help maintain peace, security, and stability in the Western Pacific; and (2) to promote the foreign policy of the United States by authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan. (b) It is the policy of the United States-- (1) to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan, as well as the people on the China mainland and all other peoples of the Western Pacific area; (2) to declare that peace and stability in the area are in the political, security, and economic interests of the United States, and are matters of international concern; (3) to make clear that the United States decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means; (4) to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States; (5) to provide Taiwan with arms of a defensive character; and (6) to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan. (c) Nothing contained in this Act shall contravene the interest of the United States in human rights, especially with respect to the human rights of all the approximately eighteen million inhabitants of Taiwan. The preservation and enhancement of the human rights of all the people on Taiwan are hereby reaffirmed as objectives of the United States. IMPLEMENTATION OF UNITED STATES POLICY WITH REGARD TO TAIWAN SEC. 3. (a) In furtherance of the policy set forth in section 2 of this Act, the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability. (b) The President and the Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan, in accordance with procedures established by law. Such determination of Taiwan's defense needs shall include review by United States military authorities in connection with recommendations to the President and the Congress. (c) The President is directed to inform the Congress promptly of any threat to the security or the social or economic system of the people on Taiwan and any danger to the interests of the United States arising therefrom. The President and the Congress shall determine, in accordance with constitutional processes, appropriate action by the United States in response to any such danger.

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*****David M. Lampton is Dean of the Faculty and Director of China Studies, Johns Hopkins Nitze School of Advanced International Studies and Director of Chinese Studies, The Nixon Center

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